

Schwartz & Freeman

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19632

OFFICES AT
CHICAGO
OAKBROOK TERRACE

WRITER'S DIRECT LINE:

(312) 222-6659

September 27, 1995

VIA CERTIFIED MAIL -
RETURN RECEIPT REQUESTED

Office of the Secretary
Interstate Commerce Commission
Washington, D.C. 20423

Re: **Amended and Restated Loan and Security Agreement
from National Railway Equipment Co. ("Mortgagor") to
LaSalle National Bank ("Mortgagee")**

SEP 28 3 02 PM '95
LICENSING DIVISION

Dear Secretary:

I have enclosed one original and two copies of the document described below to be recorded pursuant to Section 11303 of Title 49 of the U.S. Code. Attached is an Affidavit executed by the attorney-in-fact for LaSalle National Bank and appropriately notarized declaring that the copies transmitted herewith have been compared to the original and have been found to be complete and identical in all respects to the original document.

This document is an Amended and Restated Loan and Security Agreement and is a primary document dated July 14, 1995. The names and addresses of the parties to the documents are as follows:

Mortgagor

National Railway Equipment Co.
14400 S. Robey
Dixmoor, Illinois 60426

Mortgagee

LaSalle National Bank
120 South LaSalle Street
Chicago, Illinois 60603

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Office of the Secretary
September 27, 1995
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Included in the property covered by the aforesaid Loan and Security Agreement are railroad cars, locomotives and other rolling stock intended for use related to interstate commerce or interests therein owned by National Railway Co. at the date of said Loan and Security Agreement or thereafter acquired by it.

A short summary of the document to appear in the index follows:

A security agreement granting a security interest in all of National Railway Equipment Co.'s now owned or hereafter acquired rail cars and all other assets now owned or hereafter acquired by National Railway Equipment Co. as set forth in the Amended and Restated Loan and Security Agreement.

A check in the amount of \$21.00 is enclosed to cover your fees. Please return any extra copies not needed by the Commission for recordation to Kathleen A. Finefrock, Schwartz & Freeman, 401 North Michigan Avenue, Suite 1900, Chicago, Illinois 60611.

Very truly yours,

LASALLE NATIONAL BANK

By: Kathleen A. Finefrock
Kathleen A. Finefrock, Its
Attorney and Agent in Fact

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KAF\tap
Enclosures



Interstate Commerce Commission
Washington, D.C. 20423-0001

9/29/95

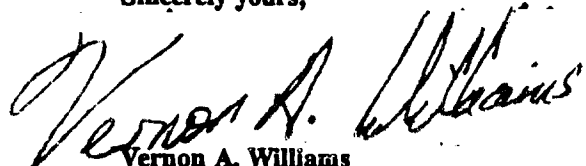
Office Of The Secretary

Kathleen A. Pinefrock
Schwartz & Freeman
401 North Michigan Avenue
Ste. 1900
Chicago, Illinois 60611-4206

Dear Sir:

The enclosed document(s) was recorded pursuant to the provisions of Section 11303 of the Interstate Commerce Act, 49 U.S.C. 11303, on 9/29/95 at 3:05PM, and assigned recordation number(s). 19632.

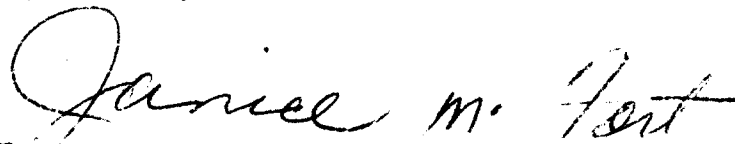
Sincerely yours,


Vernon A. Williams
Secretary

Enclosure(s)

\$21.00 The amount indicated at the left has been received in payment of a fee in connection with a document filed on the date shown. This receipt is issued for the amount paid and in no way indicates acknowledgment that the fee paid is correct. This is accepted subject to review of the document which has been assigned the transaction number corresponding to the one typed on this receipt. In the event of an error or any questions concerning this fee, you will receive a notification after the Commission has had an opportunity to examine your document.

Signature


Janice M. Fort

AMENDED AND RESTATED LOAN AND SECURITY AGREEMENT

THIS AMENDED AND RESTATED LOAN AND SECURITY AGREEMENT (this "Agreement"), dated as of the 14th day of July, 1995, is entered into by and between LASALLE NATIONAL BANK ("Bank"), a national banking association with an office at 120 South LaSalle Street, Chicago, Illinois 60603, and NATIONAL RAILWAY EQUIPMENT CO. ("Borrower"), an Illinois corporation with its principal place of business at 14400 S. Robey, Dixmoor, Illinois 60426.

The Borrower and the Bank heretofore entered into a Loan and Security Agreement dated as of December 18, 1991, as amended by a First Amendment to Loan and Security Agreement dated as of September 1, 1992, as further amended by a Second Amendment to Loan and Security Agreement dated as of October 15, 1992, as further amended by a Third Amendment to Loan and Security Agreement dated as of July 1, 1993, as further amended by a Fourth Amendment to Loan and Security Agreement dated as of July 1, 1994 and as further amended by a Fifth Amendment to Loan and Security Agreement dated as of June 1, 1995 (such Loan and Security Agreement as so amended is hereinafter referred to as the "Original Loan Agreement"). The Borrower and the Bank have agreed to make certain amendments to the Original Loan Agreement and, for the sake of clarity and convenience, restate the Original Loan Agreement in its entirety as so amended. Accordingly, upon the satisfaction of the conditions hereinafter set forth, Articles 1 through 13 of the Original Loan Agreement and all Exhibits thereto shall be amended and restated in their entirety to read as follows:

"1. DEFINITIONS AND TERMS

1.1 Definitions. The following words, terms and/or phrases shall have the meanings set forth thereafter and such meanings shall be applicable to the singular and plural form thereof, giving effect to the numerical difference; whenever the context so requires, the use of "it" in reference to Borrower shall mean Borrower as identified at the beginning of this Agreement:

"Account": the definition ascribed to this term in Paragraph 4.1 below.

"Adjusted LIBOR Rate" means a rate per annum determined by the Bank in accordance with the following formula:

$$\text{Adjusted LIBOR Rate} = \frac{\text{LIBOR}}{100\% - \text{Reserve Percentage}} \text{ plus } 1.75\% \text{ per annum}$$

"Reserve Percentage" means, for the purpose of computing Adjusted LIBOR Rate, the maximum rate of all reserve requirements (including, without limitation, any marginal, emergency, supplemental or other special reserves) imposed by the Board of Governors of the Federal Reserve System (or any successor) under Regulation D on Eurocurrency liabilities (as such term is defined in Regulation D) for the applicable Interest Period as of the first day of such Interest Period, but subject to any amendments to such reserve

requirement by such Board or its successor, and taking into account any transitional adjustments thereto becoming effective during such Interest Period. For purposes of this definition, Adjusted LIBOR Rate Loans shall be deemed to be Eurocurrency liabilities as defined in Regulation D without benefit of or credit for prorations, exemptions or offsets under Regulation D. "LIBOR" means, for each Interest Period, the arithmetic average of the rates of interest per annum (rounded upward, if necessary, to the nearest 1/100th of 1%) at which deposits in U.S. Dollars in immediately available funds may be offered to the Bank at 11:00 a.m. (London time) two Business Days prior to the commencement of such Interest Period in the interbank market upon request by the Bank for a period equal to such Interest Period and in an amount equal to the applicable Adjusted LIBOR Rate Loan to be outstanding from the Bank during such Interest Period. Each determination of LIBOR made by the Bank shall be conclusive and binding absent manifest error.

"Affiliate": any "Person" (hereinafter defined) (i) in which Borrower, one or more partners of Borrower, one or more equity interest holders of Borrower, any "Subsidiary" (hereinafter defined), and/or any "Parent" (hereinafter defined), individually, jointly and/or severally, now or at any time or times hereafter, has or have an equity or other ownership interest equal to or in excess of five percent (5%) of the total equity of or other ownership interest in such Person; and/or (ii) which directly or indirectly through one or more intermediaries controls or is controlled by, or is under common control with Borrower. For purposes of this definition, control shall mean the possession, directly or indirectly, of the power to direct or cause the direction of the management and policies of a Person, whether through the ownership of "Stock" (hereinafter defined), by contract or otherwise.

"Agreement": the Original Loan Agreement as amended, including as amended and restated hereby.

"And/or": one or the other or both, or any one or more or all, of the things or Persons in connection with which the conjunction is used.

"Assigned Lease" is an agreement evidencing the lease by Borrower of Locomotive Inventory to a Lessee which has been assigned by Borrower to, and accepted by, Bank and that, when assigned to Bank and at all times thereafter does not violate the negative covenants and similar provisions of Article 7 of this Agreement and does satisfy the positive covenants, representations and warranties and similar provisions of Article 7 of this Agreement. The following leases are not Assigned Leases:

(a) Assigned Leases under which the Lessee owes Borrower more than three (3) months rent or is in default under the terms of the Assigned Lease and any applicable cure period has expired;

(b) a portion of an Assigned Lease to the extent the Lessee has a deduction, credit, counterclaim or a right of set-off against the Lease;

(c) Assigned Leases with respect to which the Lessee is the subject of bankruptcy or a similar insolvency proceeding or has made an assignment for the benefit of creditors or whose assets have been conveyed to a receiver or trustee;

(d) Assigned Leases as to which Bank, at any time or times hereafter, determines, in good faith, that the prospect of payment or performance by the Lessee is or will be impaired;

(e) Assigned Leases with respect to which Bank's assignment and security interest is not entitled to first priority;

(f) Assigned Leases which have been canceled, terminated or under which the Leased Inventory has been surrendered or under which the Lessee has exercised any right to purchase the Leased Inventory;

(g) Assigned Leases if the Leased Inventory under such Assigned Lease is lost, stolen, destroyed or otherwise damaged and such loss or damage is not covered by insurance; and

(h) Assigned Leases under which the Leased Inventory is or will at any time be used outside of the United States.

"Borrower's Liabilities": all obligations and liabilities of Borrower to Bank (including, without limitation, all debts, claims and indebtedness) whether primary, secondary, direct, contingent, fixed or otherwise, heretofore, now and/or from time to time hereafter owing, due or payable, however evidenced, created, incurred, acquired or owing and however arising, whether under this Agreement or the Other Agreements (hereinafter defined), or by oral agreement or operation of law or otherwise, including, without limitation, all obligations of the Borrower pursuant to Applications. The face amount of any letters of credit or indemnifications made by Bank to third parties at the request of and for the benefit of Borrower which are outstanding shall be deemed to be part of Borrower's Liabilities hereunder.

"Borrower's Obligations": all terms, conditions, warranties, representations, agreements, undertakings, covenants and provisions (other than Borrower's Liabilities) to be performed, discharged, kept, observed or complied with by Borrower pursuant to this Agreement and/or any of the Other Agreements.

"Borrowing Base" means, as of any time it is to be determined, the sum of

(a) 80% of the face amount (less maximum discounts, credits and allowances which may be taken by or granted to Obligors in connection therewith) of all then existing Eligible Accounts; plus

(b) 50% of the value of all Eligible Inventory which is Locomotive Inventory and Capital Goods Inventory which was purchased within two (2) years, in an amount not to exceed \$3,000,000; plus

(c) 25% of the value of all Eligible Inventory which is Locomotive Inventory and Capital Goods Inventory and was purchased by Borrower more than two (2) years earlier, in an amount not to exceed \$1,500,000; plus

(d) for each Eligible Assigned Lease with an original term of 5 years or less, the lesser of (i) 75% of the Present Value of the Eligible Assigned Lease or (ii) 85% of the original cost of the locomotive leased to the Lessee under the Eligible Assigned Lease, and for each Eligible Assigned Lease with an original term of more than 5 years, the lesser of (x) 50% of the Present Value of the Eligible Assigned Lease or (y) 80% of the original cost of the locomotive leased to the Lessee under the Eligible Assigned Lease; provided, however, that the amount included in the Borrowing Base under this clause (d) shall not exceed \$3,000,000, and provided further that no amount under this clause (d) shall be included in the Borrowing Base until the Bank has received a field audit report of the payments due or to become due to the Borrower under the Eligible Assigned Leases, in form and substance acceptable to the Bank; notwithstanding the foregoing, until such time as the Bank receives the field audit report referred to above, this clause (d) of the Borrowing Base may include 50% of the net book value of the locomotives which are the subject of Eligible Assigned Leases, provided that the aggregate amount included in the Borrowing Base under this clause (d) shall not exceed \$500,000; plus

(e) 50% of the cost of Inventory which is work-in-process, less labor and overhead costs, in an amount not to exceed \$1,000,000.

The "Present Value" of any Eligible Assigned Lease shall mean the lease payments due or to become due to Borrower under the Eligible Assigned Lease discounted at an interest rate equal to the Prime Rate in effect from time to time plus one-half of one percent (1/2%).

"Business Day" means any day other than a Saturday or Sunday on which banks are not authorized or required to close in Chicago, Illinois and, when used with respect to Adjusted LIBOR Rate Loans, a day on which the Bank is dealing in United States Dollar deposits in the interbank market London, England and Nassau, Bahamas.

"Capital Goods Inventory": the Inventory of Borrower other than Locomotive Inventory, which shall not include Equipment.

"Charges": all national, federal, state, county, city, municipal and/or other governmental (or any instrumentality, division, agency, body or department thereof) taxes, levies, assessments, charges, liens, claims or encumbrances upon and/or relating to the "Collateral" (hereinafter defined), Borrower's Liabilities, Borrower's Obligations, Borrower's business, Borrower's ownership and/or use of any of its assets, and/or Borrower's income and/or gross receipts.

"Collateral": the definition ascribed to this term in Paragraph 4.1 below.

"Default" means any event or condition, the occurrence of which would, with the giving of notice or the passage of time, or both, constitute an Event of Default.

"Eligible Accounts": the definition ascribed to this term in Paragraph 5.1 below.

"Eligible Assigned Lease" means an Assigned Lease for which the Bank has received each of the following and which is otherwise acceptable to the Bank for inclusion in the Borrowing Base:

(i) A Collateral Assignment of the Lease to the Bank, and the acceptance by Bank, in its sole discretion, of the Collateral Assignment. The Collateral Assignment shall be in the form attached hereto as Exhibit B;

(ii) Original Lease Agreement or a copy certified by an officer of Borrower to be a true and correct copy of the original executed Lease Agreement. If Borrower furnishes Bank with a certified copy of a Lease Agreement, Borrower shall deliver to Bank within 45 days of such advance the original Lease Agreement;

(iii) Delivery and Acceptance Certificate from Borrower to Lessee, in form and substance acceptable to the Bank;

(iv) Uniform Commercial Code Financing Statement time stamped by the Secretary of State of the state in which the Lessee has its chief executive office showing Borrower as secured party, Lessee as debtor and Bank as assignee;

(v) Appropriate documents for filing with the Interstate Commerce Commission to evidence Bank's lien in the Assigned Lease;

(vi) Certificate of Insurance for hazard or property insurance insuring the Lessee and the Borrower and naming Bank as additional insured and as loss payee;

(vii) Notice to Lessee of Collateral Assignment of Lease, in form and substance acceptable to the Bank;

(viii) Certified copy of corporate or partnership resolutions of Lessee, certified by the Secretary or a general partner of Lessee; and

(ix) A Uniform Commercial Code search against the Lessee in the state in which its chief executive office is located.

"Eligible Inventory": the definition ascribed to this term in Paragraph 6.1 below.

"Equipment": the definition ascribed to this term in Paragraph 4.1 below.

"Event of Default": the definition ascribed to this term in Paragraph 11.1 below.

"Financials": those financial statements of Borrower and/or Parent heretofore or concurrently herewith delivered by or on behalf of Borrower to Bank.

"General Intangibles": the definition ascribed to this term in Paragraph 4.1 below.

(iii) the interest rate to be applicable to each Adjusted LIBOR Rate Loan for each Interest Period shall apply from and including the first day of such Interest Period to but excluding the last day thereof; and

(iv) no Interest Period may be selected if after giving effect thereto the Borrower will be unable to make a principal payment scheduled to be made during such Interest Period without paying part of an Adjusted LIBOR Rate Loan on a date other than the last day of the Interest Period applicable thereto.

For purposes of determining an Interest Period, a month means a period starting on one day in a calendar month and ending on a numerically corresponding day in the next calendar month, provided, however, if an Interest Period begins on the last day of a month or if there is no numerically corresponding day in the month in which an Interest Period is to end, then such Interest Period shall end on the last Business Day of such month.

"Inventory": the definition ascribed to this term in Paragraph 4.1 below.

"Lease": any agreement for the lease of Locomotive Inventory by Borrower to a third party which has been assigned to and accepted by Bank.

"Leased Inventory": any and all of Borrower's Locomotive Inventory which is under lease from Borrower and which leases Borrower has assigned to Bank.

"Lessee": the lessee under a Lease with Borrower.

"Loans": any and all loans, advances, extensions of credit and/or other financial accommodations of any kind or nature made by Bank at any time to, for the benefit or at the request of Borrower pursuant to this Agreement and/or any of the Other Agreements.

"Locomotive Inventory" shall mean the Inventory of Borrower which consists of locomotives and which is not Leased Inventory.

"Notes" means and includes the Revolving Note and the Term Notes.

"Obligor": any Person who is and/or may become obligated to Borrower under or on account of Accounts.

"Other Agreements": all agreements, instruments and documents, including, without limitation, bond agreements, loan agreements, security agreements, guaranties, mortgages, deeds of trust, notes, applications and agreements for letters of credit, letters of credit, advices of credit, bankers acceptances, pledges, powers of attorney, consents, assignments, contracts, notices, leases, financing statements and all other written matter heretofore, now and/or from time to time hereafter executed by and/or on behalf of Borrower and delivered to Bank, or issued by Bank upon the application and/or other request of, and on behalf of, Borrower, including, without limitation, the Applications.

"Parent": any Person, now or at any time or times hereafter, owning or controlling (alone or with Borrower, any Subsidiary and/or any other Person) at least a majority of the issued and outstanding Stock or other ownership interest of Borrower or any Subsidiary (hereinafter defined). For purposes of this definition control shall have the same meaning ascribed to this term in the definition of Affiliate above.

"Person": any individual, sole proprietorship, partnership, joint venture, trust, unincorporated organization, association, corporation, institution, entity, party or government (whether national, federal, state, county, city, municipal or otherwise, including without limitation any instrumentality, division, agency, body or department thereof).

"Prime Rate" shall mean the rate per annum in effect from time to time as set by the Bank and called its Prime Rate. The effective date of any change in the Prime Rate shall for purposes hereof be the date the rate is changed by the Bank. The Bank shall not be obligated to give notice of any change in the Prime Rate.

"Records": the definition ascribed to this term in Paragraph 4.1 below.

"Revolving Loans": the definition ascribed to this term in Paragraph 3.2 below, and includes the Prime Rate Loan and Adjusted LIBOR Rate Loans.

"Revolving Note": the Revolving Credit Note of Borrower in the form attached hereto as Exhibit A-1 and payable to the order of the Bank in the original principal amount of \$12,000,000.

"Stock": all shares, interests, participations or other equivalents (however designated) of or in a corporation, whether or not voting, including, but not limited to, common stock, warrants, preferred stock, convertible debentures and all agreements, instruments and documents convertible, in whole or in part, into any one or more or all of the foregoing.

"Subsidiary": any Person at least a majority of whose issued and outstanding Stock or other ownership interests now or at any time hereafter is owned by Borrower and/or one or more Subsidiaries.

"Tangible Net Worth": as determined at any time, the total of shareholders' equity (including capital stock, additional paid-in capital, shareholder loans subordinated to Borrower's Liabilities and retained earnings after deducting treasury stock) of Borrower calculated in accordance with generally accepted accounting principles, consistently applied, less the sum of the total amount of any accounts receivable or indebtedness due from Affiliates and intangible assets, which, for purposes of this definition, shall include, without limitation, General Intangibles and, if applicable, any prepaid expenses and goodwill.

"Term Loans": is defined in Paragraph 3.4 hereof.

"Term Notes": one or more of the Term Loan Notes of Borrower in the form attached hereto as Exhibit A-2 payable to the order of the Bank.

"Termination Date" is defined in Paragraph 2.2 hereof.

1.2 Uniform Commercial Code. Except as otherwise defined in this Agreement or the Other Agreements, all words, terms and/or phrases used herein and therein shall be defined by the applicable definition therefor (if any) in the Uniform Commercial Code as adopted by the State of Illinois.

1.3 Accounting Terms. Any accounting terms which are used in this Agreement which are not specifically defined herein shall have the meanings customarily given them in accordance with generally accepted accounting principles.

2. LOANS: GENERAL TERMS

2.1 Interest. (a) Revolving Loans.

(i) Subject to the terms and conditions of this Agreement, each Revolving Loan may, at the option of the Borrower, bear interest with reference to the Prime Rate (the "Prime Rate Loan") or with reference to the Adjusted LIBOR Rate (an "Adjusted LIBOR Rate Loan"), and the interest rate on Revolving Loans may be converted from time to time from one basis to the other. All of the indebtedness evidenced by the Revolving Note which does not bear interest at the Adjusted LIBOR Rate shall constitute a single Revolving Loan bearing interest at the Prime Rate. All of the indebtedness evidenced by the Revolving Note which bears interest with reference to a particular Adjusted LIBOR Rate for a particular Interest Period shall constitute a single Revolving Loan bearing interest at the Adjusted LIBOR Rate. There shall not be outstanding at any one time more than eight (8) Revolving Loans bearing interest at the Adjusted LIBOR Rate. Notwithstanding anything contained herein to the contrary, the obligation of the Bank to create, continue or effect by conversion any Revolving Loan bearing interest at the Adjusted LIBOR Rate shall be conditioned upon the fact that at the time no Default or Event of Default shall have occurred and be continuing. The Borrower hereby promises to pay interest on each Loan at the rates and times specified in this Agreement.

(ii) Each Revolving Loan bearing interest at the Prime Rate shall bear interest (which the Borrower hereby promises to pay at the times herein provided) at the rate per annum equal to the Prime Rate as in effect from time to time, provided that if such Revolving Loan or any part thereof is not paid when due (whether by lapse of time, acceleration or otherwise) such Revolving Loan shall bear interest (which the Borrower hereby promises to pay at the times herein provided), whether before or after judgment, until payment in full thereof at the rate per annum determined by adding 2% to the interest rate which would otherwise be applicable thereto from time to time. Interest on the Prime Rate Loan shall be payable monthly in arrears on the first day of each month in each year (commencing August 1, 1995) and at the maturity thereof (whether by lapse of time, acceleration or otherwise) and interest after maturity shall be due and payable upon demand. Any change in the interest rate

on the Prime Rate Loan resulting from a change in the Prime Rate shall be effective on the date of the relevant change in the Prime Rate.

(iii) Each Revolving Loan bearing interest with respect to the Adjusted LIBOR Rate shall bear interest (which the Borrower hereby promises to pay at the times herein provided) for each Interest Period selected therefor at a rate per annum equal to the Adjusted LIBOR Rate for such Interest Period, provided that if any Adjusted LIBOR Rate Loan is not paid when due (whether by lapse of time, acceleration or otherwise) such Loan shall bear interest (which the Borrower hereby promises to pay at the times herein provided), whether before or after judgment, until payment in full thereof through the end of the Interest Period then applicable thereto at the rate per annum determined by adding 2% to the interest rate which would otherwise be applicable thereto, and effective at the end of such Interest Period such Loan shall automatically be converted into and added to the Prime Rate Loan and shall thereafter bear interest at the interest rate applicable to the such Prime Rate Loan after default. Interest on each Adjusted LIBOR Rate Loan shall be due and payable on the last day of each Interest Period applicable thereto and, with respect to any Interest Period applicable to an Adjusted LIBOR Rate Loan in excess of three (3) months, on the date occurring every three (3) months after the date such Interest Period began and at the end of such Interest Period, and interest after maturity shall be due and payable upon demand. The Borrower shall notify the Bank on or before 11:00 a.m. (Chicago time) on the third Business Day preceding the end of an Interest Period applicable to an Adjusted LIBOR Rate Loan whether such Adjusted LIBOR Rate Loan is to continue as an Adjusted LIBOR Rate Loan, in which event the Borrower shall notify the Bank of the new Interest Period selected therefor, and in the event the Borrower shall fail to so notify the Bank, such Adjusted LIBOR Rate Loan shall automatically be converted into and added to the Prime Rate Loan as of and on the last day of such Interest Period.

(iv) The Borrower shall notify the Bank by 11:00 a.m. (Chicago time) at least three (3) Business Days prior to the date upon which it requests that any Adjusted LIBOR Rate Loan be created or that any part of the Prime Rate Loan be converted into an Adjusted LIBOR Rate Loan. If any request is made to convert an Adjusted LIBOR Rate Loan into the Prime Rate Loan, such conversion shall only be made so as to become effective as of the last day of the Interest Period applicable thereto. All requests for the creation, continuance or conversion of Loans under this Agreement shall be irrevocable. Such requests must be written and the Bank is hereby authorized to honor written requests for creations, continuances and conversions received by it from any person the Bank in good faith believes to be an authorized representative of the Borrower (such written requests may be received by the Bank via telecopy, facsimile or other similar means and the Bank may rely on such as if they were originals), and the Borrower hereby agrees to indemnify the Bank from any liability or loss ensuing from so acting.

(v) All interest on the Loans shall be computed on the basis of a year of 360 days for the actual number of days elapsed.

(b) Term Loans. Each Term Loan shall bear interest (which the Borrower hereby promises to pay at the times herein provided) at the rate per annum (computed on the basis

of a 360-day year and charged for actual days elapsed), equal to the Prime Rate as in effect from time to time, provided that if any such Term Loan or any part thereof is not paid when due (whether by lapse of time, acceleration or otherwise) such Term Loan shall bear interest (which the Borrower hereby promises to pay at the times herein provided), whether before or after judgment, until payment in full thereof at the rate per annum determined by adding 2% to the interest rate which would otherwise be applicable thereto from time to time. Interest on the Term Loans shall be payable monthly in arrears on the first day of each month in each year commencing on the first day of the month occurring after the creation of such Term Loan, and continuing on the first day of each calendar month thereafter and at the maturity thereof (whether by lapse of time acceleration or otherwise) and interest after maturity shall be due and payable upon demand. Any change in the interest rate on the Term Loans resulting from a change in the Prime Rate shall be effective on the date of the relevant change in the Prime Rate.

2.2 Expiration Date. The Bank's obligation to issue Letters of Credit hereunder and to make Revolving Loans and Term Loans to Borrower under this Agreement and Borrower's ability to borrow monies from Bank pursuant to the provisions hereof, shall be in effect until June 1, 1996 ("Termination Date") unless terminated by Bank upon an Event of Default or pursuant to Paragraph 11.3 below. Notwithstanding the foregoing, at any time any Letter of Credit is outstanding or any amount of the Loans or other Borrower's Liabilities or Borrower's Obligations remains outstanding, this Agreement and all representations, warranties, covenants, agreements, grants of security and other terms and provisions shall remain in full force and effect until all Letters of Credit have been returned to Bank for cancellation, and all Loans and other Borrower's Liabilities and Borrower's Obligations are paid, performed and discharged in full.

2.3 Maximum Credit Amount. Notwithstanding anything contained in this Agreement or the Other Agreements to the contrary, the principal portion of Borrower's Liabilities outstanding at any one time (including the undrawn amount of Letters of Credit) shall not exceed in the aggregate \$12,000,000.

2.4 All Liabilities. All of Borrower's Liabilities shall constitute one obligation secured by Bank's security interest, lien or encumbrance in or upon the Collateral and by all other security interests, liens, claims and encumbrances heretofore, now and/or from time to time hereafter granted by Borrower and/or any Guarantor to Bank.

2.5 Use of Proceeds. Borrower warrants and represents to Bank that Borrower shall use the proceeds of all Loans solely for business purposes and consistently with all applicable laws and statutes. Borrower further warrants that the proceeds of each Term Loan shall be used to fund the purchase of inventory which will constitute Leased Inventory. The Borrower agrees to provide the Bank with evidence that the proceeds of the Term Loans have been used for such purpose. Borrower further warrants and represents to Bank and covenants with Bank that Borrower is not in the business of extending credit for the purpose of purchasing or carrying margin Stock (within the meaning of Regulation U issued by the Board of Governors of the Federal Reserve System of the United States of America), and no proceeds of any Loans will be used to purchase or carry any margin Stock or to extend credit to others for the purpose of purchasing or carrying any margin Stock.

2.6 Payment. Except as otherwise provided in this Agreement, or where evidenced by notes or other instruments issued and/or made by Borrower to Bank specifically containing provisions in conflict with this Paragraph (in which event the conflicting provisions of this Agreement or said notes or other instruments shall govern and control) that portion of Borrower's Liabilities consisting of: (a) principal payable on account of any Loans shall be payable by Borrower to Bank, as provided in this Agreement or the Other Agreements; (b) costs, fees and expenses payable by Borrower to Bank shall be payable to Bank or to such other Person or Persons designated by Bank, on demand; (c) interest payable by Borrower to Bank shall be payable by Borrower monthly, as billed; and (d) the balance of Borrower's Liabilities, if any, shall be payable by Borrower to Bank as and when provided in this Agreement or the Other Agreements. All of such payments to Bank shall be payable at Bank's principal place of business specified at the beginning of this Agreement or at such other place or places as Bank may designate in writing to Borrower. All of such payments to Persons other than Bank shall be payable at such place or places as Bank may designate in writing to Borrower.

2.7 Additional Notes. Any one of the Loans may or may not (at Bank's sole and absolute discretion) be evidenced by additional notes or other instruments issued or made by Borrower to Bank. Where the Loans are not so evidenced, they shall be evidenced solely by entries upon the ledgers, books, records and/or computer records of Bank maintained for that purpose.

2.8 Additional Charges. Borrower shall pay to Bank as part of Borrower's Liabilities, on demand, any and all charges asserted by a bank or similar institution against Bank for or with respect to Bank's forwarding to Borrower or at the direction of Borrower of proceeds of any Loans or for or with respect to Bank's depositing for collection any check or item of payment received and/or delivered to Bank on account of Borrower's Liabilities.

2.9 Disbursements to Protect Collateral. Bank, in its sole and absolute discretion, without notice thereof to Borrower, may disburse any or all proceeds of any Loans to pay any costs, expenses or other amounts required to be paid by Borrower hereunder and not so paid, and/or to pay any Person as Bank deems necessary to insure that the security interest, lien or other encumbrance granted to Bank in the Collateral shall at all times have the priority represented and covenanted in this Agreement and the Other Agreements. All monies so disbursed by Bank shall be a part of Borrower's Liabilities, payable by Borrower to Bank on demand.

2.10 Change of Law. Notwithstanding any other provisions of this Agreement or the Notes, if at any time the Bank shall determine in good faith that any change in applicable laws, treaties or regulations or in the interpretation thereof makes it unlawful for the Bank to create or continue or maintain any Adjusted LIBOR Rate Loan, it shall promptly so notify the Borrower and the obligation of the Bank to create, continue or maintain any such Adjusted LIBOR Rate Loan under this Agreement shall terminate until it is no longer unlawful for the Bank to create, continue or maintain such Adjusted LIBOR Rate Loan. The Borrower, on demand, shall, if the continued maintenance of any such Adjusted LIBOR Rate Loan is unlawful, thereupon prepay the outstanding principal amount of the affected Adjusted LIBOR Rate Loan, together with all interest accrued thereon and all other amounts payable

to the Bank with respect thereto under this Agreement and the Revolving Note; provided, however, that the Borrower may instead elect to convert the principal amount of the affected Loan into the Prime Rate Loan available hereunder, subject to the terms and conditions of this Agreement.

2.11 Unavailability of Deposits; Inability to Ascertain Adjusted LIBOR Rate.

Notwithstanding any other provision of this Agreement or the Revolving Note, if prior to the commencement of any Interest Period, the Bank shall determine that deposits in the amount of any Adjusted LIBOR Rate Loan scheduled to be outstanding during such Interest Period are not readily available to the Bank in the relevant market or by reason of circumstances affecting the relevant market, adequate and reasonable means do not exist for ascertaining the Adjusted LIBOR Rate, then the Bank shall promptly give notice thereof to the Borrower and the obligations of the Bank to create, continue or effect by conversion any such Adjusted LIBOR Rate Loan in such amount and for such Interest Period shall terminate until deposits in such amount and for the Interest Period selected by the Borrower shall again be readily available in the relevant market and adequate and reasonable means exist for ascertaining the Adjusted LIBOR Rate.

2.12 Taxes and Increased Costs. With respect to any Adjusted LIBOR Rate Loan, if the Bank shall determine in good faith that any change in any applicable law, treaty, regulation or guideline (including, without limitation, Regulation D of the Board of Governors of the Federal Reserve System) or any new law, treaty, regulation or guideline, or any interpretation of any of the foregoing by any governmental authority charged with the administration thereof or any central lender or other fiscal, monetary or other authority having jurisdiction over the Bank or its lending branch or the Adjusted LIBOR Rate Loan contemplated by this Agreement (whether or not having the force of law) shall:

(i) impose, increase, or deem applicable any reserve, special deposit or similar requirement against assets held by, or deposits in or for the account of, or loans by, or any other acquisition of funds or disbursement by, the Bank which is not in any instance already accounted for in computing the interest rate applicable to such Adjusted LIBOR Rate Loan;

(ii) subject the Bank, any Adjusted LIBOR Rate Loan, this Agreement or any Note to the extent it evidences such a Loan, to any tax (including, without limitation, any United States interest equalization tax or similar tax however named applicable to the acquisition or holding of debt obligations and any interest or penalties with respect thereto), duty, charge, stamp tax, fee, deduction or withholding in respect of any Adjusted LIBOR Rate Loan, this Agreement or any Note to the extent it evidences such a Loan, except such taxes as may be measured by the overall net income or gross receipts of the Bank or its lending branches and imposed by the jurisdiction, or any political subdivision or taxing authority thereof, in which the Bank's principal executive office or its lending branch is located;

(iii) change the basis of taxation of payments of principal and interest due from the Borrower to the Bank under this Agreement or any Note to the extent it evidences

any Adjusted LIBOR Rate Loan (other than by a change in taxation of the overall net income or gross receipts of the Bank); or

(iv) impose on the Bank any penalty with respect to the foregoing or any other condition regarding this Agreement, its disbursement, any Adjusted LIBOR Rate Loan, this Agreement or any Note to the extent it evidences any Adjusted LIBOR Rate Loan;

and the Bank shall determine that the result of any of the foregoing is to increase the cost (whether by incurring a cost or adding to a cost) to the Bank of creating or maintaining any Adjusted LIBOR Rate Loan hereunder or to reduce the amount of principal or interest received or receivable by the Bank (without benefit of, or credit for, any prorrations, exemptions credits or offsets available under any such laws, treaties, regulations, guidelines or interpretations thereof), then the Borrower shall pay on demand to the Bank from time to time as specified by the Bank such additional amounts as the Bank shall reasonably determine are sufficient to compensate and indemnify it for such increased cost or reduced amount. If the Bank makes such a claim for compensation, it shall provide to the Borrower a certificate setting forth the computation of the increased cost or reduced amount as a result of any event mentioned herein in reasonable detail and such certificate shall be conclusive if reasonably determined.

2.13 Change in Capital Adequacy Requirements. If the Bank shall determine that the adoption after the date hereof of any applicable law, rule or regulation regarding capital adequacy, or any change in any existing law, rule or regulation, or any change in the interpretation or administration thereof by any governmental authority, central lender or comparable agency charged with the interpretation or administration thereof, or compliance by the Bank (or any of its branches) with any request or directive regarding capital adequacy (whether or not having the force of law) of any such authority, central lender or comparable agency, has or would have the effect of reducing the rate of return on the Bank's capital as a consequence of the Bank's obligations hereunder or for the credit which is the subject matter hereof to a level below that which the Bank could have achieved but for such adoption, change or compliance (taking into consideration the Bank's policies with respect to liquidity and capital adequacy) by an amount deemed by the Bank to be material, the Borrower shall pay to the Bank such additional amount or amounts reasonably determined by the Bank as will compensate the Bank for such reduction.

2.14 Funding Indemnity. In the event the Bank shall incur any loss, cost or expense (including, without limitation, any loss (including loss of profit), cost or expense incurred by reason of the liquidation or reemployment of deposits or other funds acquired or contracted to be acquired by the Bank to fund or maintain its part of any Adjusted LIBOR Rate Loan or the relending or reinvesting of such deposits or other funds or amounts paid or prepaid to the Bank) as a result of:

(i) any payment of an Adjusted LIBOR Rate Loan on a date other than the last day of the then applicable Interest Period for any reason, whether before or after default, and whether or not such payment is required by any provisions of this Agreement or the Notes; or

- (ii) any failure by the Borrower to create, borrow, continue or effect by conversion an Adjusted LIBOR Rate Loan on the date specified in a notice given pursuant to this Agreement or the Notes;

then, upon the demand of the Bank, the Borrower shall pay to the Bank such amount as will reimburse the Bank for such loss, cost or expense. If the Bank requests such a reimbursement, it shall provide to the Borrower a certificate setting forth the computation of the loss, cost or expense giving rise to the request for reimbursement in reasonable detail and such certificate shall be conclusive if reasonably determined.

2.15 Discretion as to Manner of Funding. Notwithstanding any provision of this Agreement or the Notes to the contrary, the Bank shall be entitled to fund and maintain its funding of all or any part of the Notes in any manner it sees fit, it being understood, however, that for the purposes of this Agreement all determinations hereunder (including, without limitation, determinations under Paragraphs 2.11, 2.12 and 2.14 of this Agreement) shall be made as if the Bank had actually funded and maintained each Adjusted LIBOR Rate Loan during each Interest Period applicable thereto through the purchase of deposits in the relevant market in the amount of such Adjusted LIBOR Rate Loan, having maturity corresponding to such Interest Period, and bearing an interest rate equal to the Adjusted LIBOR Rate for such Interest Period.

3. LOANS: DISBURSEMENTS

3.1 Revolving Credit. Subject to the terms and conditions hereof, the Bank agrees to extend a revolving credit (the "Revolving Credit") to the Borrower which may be availed of by the Borrower from time to time during the period from and including the date hereof to but not including the Termination Date, at which time the commitment of the Bank to extend credit under the Revolving Credit shall expire. The maximum amount of the Revolving Credit which the Bank agrees to extend to the Borrower is \$12,000,000 (the "Commitment"), as such amount may be reduced pursuant hereto. The Revolving Credit may be utilized by the Borrower in the form of Revolving Loans (a portion of which may be converted to Term Loans, subject to the terms and conditions set forth in this Agreement), Term Loans and Letters of Credit, all as more fully hereinafter set forth, provided that the aggregate principal amount of Revolving Loans, Term Loans and Letters of Credit outstanding at any one time shall not exceed the lesser of (i) the Commitment and (ii) the Borrowing Base as then determined and computed. During the period from and including the date hereof to but not including the Termination Date, the Borrower may use the Commitment by borrowing, repaying and reborrowing Revolving Loans and Term Loans in whole or in part and/or by having the Bank issue Letters of Credit, having such Letters of Credit expire or otherwise terminate without having been drawn upon or, if drawn upon, reimbursing the Bank for each such drawing, and having the Bank issue new Letters of Credit, all in accordance with the terms and conditions of this Agreement. For purposes of this Agreement, where a determination of the unused or available amount of the Commitment is necessary, the Revolving Loans, the Term Loans and the Letters of Credit shall be deemed to utilize the Commitment.

Notwithstanding anything in this Agreement to the contrary, Bank may at any time and from time to time, in its sole and absolute discretion, loan to Borrower more than the percentage of Eligible Accounts and/or Eligible Inventory and/or Eligible Assigned Leases stated in the Borrowing Base, without notice to any Guarantor or any other Person which might be liable to Bank on account of Borrower's Liabilities and/or Borrower's Obligations, provided, however, that any such over-advance shall not establish a custom or course of dealing or entitle Borrower to any subsequent over-advance under the same or different circumstances. Borrower agrees to notify the Bank immediately upon learning that any Eligible Accounts, Eligible Inventory and Eligible Assigned Leases cease to constitute Eligible Accounts, Eligible Inventory and Eligible Assigned Leases, respectively, and to the extent required under Paragraph 3.6 hereof, pay to the Bank the amount by which the Borrower's Liabilities exceed the Borrowing Base as then determined.

3.2 Revolving Loans. Subject to the terms and conditions hereof, the Revolving Credit may be availed of by the Borrower in the form of loans (individually a "Revolving Loan" and collectively the "Revolving Loans"). Each Revolving Loan shall be made against and evidenced by a Revolving Note of the Borrower (the "Revolving Note") payable to the order of the Bank in the amount of the Commitment, with the Revolving Note to be in the form (with appropriate insertions) attached hereto as Exhibit A-1. The Revolving Note shall be dated the date of issuance thereof, be expressed to bear interest as set forth in Paragraph 2.1(a) hereof, and be expressed to mature on the Termination Date. Without regard to the principal amount of the Revolving Note stated on its face, the actual principal amount at any time outstanding and owing by the Borrower on account thereof shall be the sum of all advances then or theretofore made thereon less all payments of principal actually received. Each Revolving Loan constituting an Adjusted LIBOR Rate Loan shall be in a minimum amount of \$100,000. The principal amount of all Revolving Loans outstanding and accrued interest thereon not sooner paid shall be and become due and payable in full on the Termination Date or such sooner date on which the same may become due pursuant to the terms of this Agreement.

3.3 Letters of Credit.

(a) General Terms. Subject to the terms and conditions hereof, the Revolving Credit may be availed of by the Borrower in the form of standby letters of credit issued by the Bank for the account of the Borrower (individually a "Letter of Credit" and collectively the "Letters of Credit"). The Bank has heretofore issued for the account of the Borrower letters of credit described on Schedule 3.3 hereto, which letters of credit are currently outstanding and shall be deemed to be letters of credit issued and outstanding under the terms of this Agreement. For purposes of this Agreement, a Letter of Credit shall be deemed outstanding as of any time in an amount equal to the maximum amount which could be drawn thereunder under any circumstances and over any period of time plus any unreimbursed drawings then outstanding with respect thereto. If and to the extent any Letter of Credit expires or otherwise terminates without having been drawn upon, the availability under the Commitment shall to such extent be reinstated. Each Letter of Credit shall be deemed to utilize the Commitment.

(b) Term. Each Letter of Credit issued hereunder shall expire not later than the earlier of (i) twelve (12) months from the date of issuance (or be cancelable not later than twelve (12) months from the date of issuance and each renewal) or (ii) six (6) months from the Termination Date.

(c) General Characteristics. Each Letter of Credit issued hereunder shall be payable in U.S. Dollars, conform to the general requirements of the Bank for the issuance of standby letters of credit as to form and substance, and be a letter of credit which the Bank may lawfully issue.

(d) Applications. At the time the Borrower requests each Letter of Credit to be issued (or prior to the first issuance of a Letter of Credit in the case of a continuing application), the Borrower shall execute and deliver to the Bank an application for such Letter of Credit in the form then customarily prescribed by the Bank (individually an "Application" and collectively the "Applications"). Subject to the other provisions of this subsection, the obligation of the Borrower to reimburse the Bank for drawings under a Letter of Credit shall be governed by the Application for such Letter of Credit. In the event the Bank is not reimbursed by the Borrower for the amount the Bank pays on any draft drawn under a Letter of Credit issued hereunder by 11:00 a.m. (Chicago time) on the date when such drawing is paid, the obligation of the Borrower to reimburse the Bank for the amount of such draft paid shall bear interest (which the Borrower hereby promises to pay on demand) from and after the date the draft is paid until payment in full thereof at a fluctuating rate per annum determined by adding 2% to the Prime Rate as from time to time in effect. The Borrower hereby irrevocably authorizes the Bank to charge any of the Borrower's deposit accounts maintained with the Bank for the amount necessary to reimburse the Bank for any drafts drawn under Letters of Credit issued hereunder.

(e) Change in Laws. If the Bank shall determine in good faith that any change in any applicable law, regulation or guideline (including, without limitation, Regulation D of the Board of Governors of the Federal Reserve System) or any new law, regulation or guideline, or any interpretation of any of the foregoing by any governmental authority charged with the administration thereof or any central bank or other fiscal, monetary or other authority having jurisdiction over the Bank (whether or not having the force of law), shall:

(i) impose, modify or deem applicable any reserve, special deposit or similar requirement against the Letters of Credit, or the Bank's or the Borrower's liability with respect thereto; or

(ii) impose on the Bank any penalty with respect to the foregoing or any other condition regarding this Agreement, the Applications or the Letters of Credit;

and the Bank shall determine in good faith that the result of any of the foregoing is to increase the cost (whether by incurring a cost or adding to a cost) to the Bank of issuing, maintaining or participating in the Letters of Credit hereunder (without benefit of, or credit for, any prorations, exemptions, credits or other offsets available under any such laws, regulations, guidelines or interpretations thereof), then the Borrower shall pay on demand to the Bank from time to time as specified by the Bank such additional amounts as the Bank

shall determine are sufficient to compensate and indemnify it for such increased cost. If the Bank makes such a claim for compensation, it shall provide the Borrower a certificate setting forth the computation of the increased cost as a result of any event mentioned herein in reasonable detail and such certificate shall be conclusive if reasonably determined.

(f) Fees. On the date of issuance of each Letter of Credit, and as condition thereto, the Borrower shall pay to the Bank a letter of credit fee computed at the rate per annum as agreed to by the Borrower and the Bank at the time of the issuance or renewal, as applicable, of the Letter of Credit (computed on the basis of a year of 360 days for the actual number of days elapsed) on the maximum amount of the related Letter of Credit which is scheduled to be outstanding. In addition to the letter of credit fee called for above, the Borrower further agrees to pay to the Bank such processing and transaction fees and charges as the Bank from time to time customarily imposes in connection with any amendment, cancellation, negotiation and/or payment of letters of credit and drafts drawn thereunder.

3.4 Term Loans.

(a) General. Subject to the terms and conditions of this Agreement, and in reliance upon the representations and warranties of the Borrower set forth herein and in the Other Agreements, the Revolving Credit may be availed of by the Borrower in the form of term loans (each a "Term Loan" and collectively, "Term Loans"), provided that the maximum aggregate principal amount of Term Loans outstanding at any one time does not exceed Seven Million and 00/100 Dollars (\$7,000,000) (the "Term Loan Commitment"). The outstanding principal amount of the Term Loans shall be deemed to utilize the Commitment. Borrower may either request a direct advance as a Term Loan or may convert all or a portion of the Revolving Loans outstanding (up to the maximum amount of the Term Loan Commitment), in each case prior to the Termination Date, at which time the Bank's commitment to make (or convert) Term Loans to the Borrower shall terminate. Each Term Loan must be in an amount of at least \$250,000. The conversion of a Revolving Loan which constitutes an Adjusted LIBOR Rate Loan to a Term Loan may be effected only on the last day of the Interest Period applicable thereto. Each Term Loan may be prepaid in whole or in part at any time, subject to the provisions of clause (c) of this Paragraph 3.4, but shall be due in full on the date occurring no more than 60 months from the date such Term Loan is made by the Bank, or such sooner date on which the same may become due as provided in this Agreement. Each Term Loan shall be evidenced by a Term Loan Note of the Borrower (each a "Term Note" and collectively, the "Term Notes") payable to the order of the Bank in the original principal amount of the Term Loan, be expressed to bear interest as set forth in Paragraph 2.1(b) hereof, and each such Term Note shall be in the form (with appropriate insertions) attached hereto as Exhibit A-2.

(b) Principal and Interest Payments. The outstanding principal balance of each Term Loan shall be repaid in consecutive monthly principal installments in an amount equal to the principal amount of such Term Loan divided by the number of months (rounded upwards to the next whole month) which the Term Loan will be outstanding, together with an additional amount representing accrued interest as set forth in Paragraph 2.1(b) hereof beginning on the first day of the month occurring after such Term Loan is made by the Bank, and continuing on the first day of each month thereafter, with a final payment of all

outstanding principal and accrued interest to be and become due and payable on the maturity date of such Term Loan. No Term Loan shall be outstanding for a period of time exceeding 60 months from the date the Term Loan was made by the Bank. The period of time for which a Term Loan may be outstanding shall be selected by the Borrower, so long as such period of time does not exceed 60 months. If and to the extent any principal amounts on the Term Notes are repaid, the availability under the Commitment shall to such extent be reinstated, provided that the Commitment has not theretofore expired or otherwise terminated.

(c) Principal Prepayments. No principal payments made on any Term Loan may be re-borrowed under such Term Loan. The Borrower may voluntarily prepay the principal balance of any Term Loan, in whole or in part at any time on or after the date hereof. Principal prepayments on a Term Note shall be applied to the several installments thereof in the inverse order of their maturity.

(d) Fees. The Borrower promises to pay to the Bank an amount equal to one-fourth of one percent (1/4%) of the amount of each Term Loan as a condition precedent to the making of such Term Loan by the Bank.

3.5 Manner of Borrowing. The Borrower shall give written notice to the Bank (which notice shall be irrevocable once given) by no later than 11:00 a.m. (Chicago time) on the date the Borrower requests that any Loan be made to it (including the conversion of any Revolving Loan(s) to a Term Loan). Each such notice shall specify the date of the Loan requested (which must be a Business Day), the amount of such Loan and whether the Loan is a Term Loan or Revolving Loan. The Borrower agrees that the Bank may rely upon any written notice given by any person the Bank in good faith believes is an authorized representative of the Borrower without the necessity of independent investigation. Each Revolving Loan shall initially bear interest at the Prime Rate except to the extent the Borrower has otherwise timely elected the Adjusted LIBOR Rate as provided in Paragraph 2.1(a)(iv) hereof. Subject to the conditions set forth in Article 12 hereof, the proceeds of each Loan shall be made available to the Borrower at the office of the Bank by credit to the account of the Borrower or by other means requested by the Borrower and acceptable to the Bank. The Bank is authorized to rely on the telecopy, facsimile or telegraphic requests for Loans which the Bank believes in its good faith judgment to emanate from an authorized representative of the Borrower, whether or not that is in fact the case. The Borrower does hereby irrevocably confirm, ratify and approve all such Loans by the Bank and hereby agrees to indemnify the Bank against losses and expenses (including court costs, attorneys' and paralegals' fees) and shall hold the Bank harmless with respect thereto.

3.6 Mandatory Prepayments. The Borrower covenants and agrees that if at any time the sum of the then unpaid principal balance of the Revolving Note plus the then unpaid principal balance of the Term Notes plus the then outstanding amount of Letters of Credit shall be in excess of the Borrowing Base as then determined and computed, the Borrower shall immediately and without notice or demand pay over the amount of the excess to the

Bank as and for a mandatory prepayment on such Borrower's Liabilities, with each such prepayment first to be applied to the Term Notes (to the several installments thereof in the inverse order of their maturity) until payment in full thereof, then to the Revolving Note until payment in full thereof with any remaining balance to be held by the Bank as collateral security for the Borrower's Liabilities owing under the Applications. The Borrower's failure to comply with the terms of this Paragraph 3.6 shall constitute an Event of Default hereunder.

4. COLLATERAL: GENERAL TERMS

4.1 Collateral. To secure the prompt payment to Bank of Borrower's Liabilities and the prompt, full and faithful performance by Borrower of Borrower's Obligations, Borrower hereby grants to Bank a security interest in and to, and assigns and pledges to Bank, all of Borrower's now existing and/or owned and hereafter arising and/or acquired: (a) accounts, chattel paper, contract rights, leases, letters of credit, instruments and documents ("Accounts"), and all goods whose sale, lease or other disposition by Borrower have given rise to Accounts and have been returned to or repossessed or stopped in transit by Borrower; (b) all patents, copyrights and trademarks, and all applications for and registrations of the foregoing, all franchise rights, tradenames, goodwill, beneficial interests, rights to tax refunds and all other general intangibles of any kind or nature whatsoever ("General Intangibles"); (c) all inventory of Borrower, wherever located, whether in transit, held by others for Borrower's account, covered by warehouse receipts, purchase orders leases, and contracts, or in the possession of any carriers, forwarding agents, truckers, warehousemen, vendors or other Persons, including, without limitation, all raw materials, work in process, finished merchandise, supplies, goods, incidentals, office supplies and packaging materials ("Inventory"); (d) goods (other than Inventory), machinery, equipment, vehicles, appliances, furniture, furnishings and fixtures ("Equipment"); (e) monies, reserves, deposits, certificates of deposit and deposit accounts and interest or dividends thereon, securities, cash, cash equivalents and other property now or at any time or times hereafter in the possession or under the control of Bank or its bailee; (f) all patents, copyrights and trademarks, and all applications for and registrations of the foregoing, all franchise rights, tradenames, goodwill, beneficial interests, rights to tax refunds and all other general intangibles of any kind or nature whatsoever ("General Intangibles"); (g) all books, records, computer records, ledger cards, programs and other computer materials, customer and supplier lists, invoices, orders and other property and general intangibles at any time evidencing or relating to Collateral ("Records"); (h) all accessions to any of the Collateral and all substitutions, renewals, improvements and replacements of and additions thereto; (i) all other property of Borrower, real and/or personal, in which Borrower heretofore, now and/or from time to time hereafter has granted or grants to Bank a security interest, assignment, lien, claim or other encumbrance; (j) all insurance policies insuring, or proceeds of or relating to any of the foregoing; and (k) all products and proceeds of the foregoing (whether such proceeds are in the form of cash, cash equivalents, proceeds of insurance policies, Accounts, General Intangibles, Inventory, Equipment, Records or otherwise). All of the foregoing is referred to herein individually and collectively as the "Collateral." Borrower shall make appropriate entries upon its financial statements and Records disclosing Bank's security interest in and assignment and pledge of the Collateral.

4.2 Supplemental Documents. Borrower shall execute and/or deliver to Bank, at any time and from time to time hereafter at the request of Bank, all agreements, instruments, documents and other written matter (the "Supplemental Documentation") that Bank reasonably may request, in form and substance acceptable to Bank, to perfect and maintain perfected Bank's security interest, lien and/or encumbrance in and/or assignment and pledge of the Collateral and to consummate the transactions contemplated in or by this Agreement and the Other Agreements. Borrower, irrevocably, hereby appoints Bank (and all Persons designated by Bank for that purpose) as Borrower's true and lawful agent and attorney-in-fact to sign the name of Borrower on the Supplemental Documentation and to deliver the Supplemental Documentation to such Persons as Bank, in its sole and absolute discretion, may elect. Borrower agrees that a carbon, photographic or photostatic copy, or other reproduction, of this Agreement or of any financing statement, shall be sufficient as a financing statement.

4.3 Inspection. Bank (by any of its officers, employees and/or agents) shall have the right, at any time or times during Borrower's usual business hours, to inspect the Collateral (and the premises upon which it is located) and all related Records and to verify the amount and condition of or any other matter relating to the Collateral. All costs, fees and expenses incurred by Bank, or for which Bank becomes obligated, in connection with such inspection and/or verification shall constitute part of Borrower's Liabilities, payable by Borrower to Bank on demand.

4.4 Warranties on Collateral. Borrower hereby warrants and represents to and covenants with Bank that: (a) Bank's security interest in the Collateral is now and at all times hereafter shall be perfected and have a first priority; (b) the principal place of business of Borrower is the location specified at the beginning of this Agreement, and Borrower has no other offices or locations and does not keep Collateral at any other office or location, except Avenue O, Chicago, Illinois and 9th Street, Silvis, Illinois and Borrower shall not remove the Records and/or the Collateral from its principal place of business or such other locations and shall not keep any of such Records and/or the Collateral at any other office or location unless Borrower gives Bank written notice thereof at least thirty (30) days prior thereto and the same is within the continental United States of America. Borrower, by written notice delivered to Bank at least thirty (30) days prior thereto, shall advise Bank of Borrower's opening of any new office or place of business or its closing of any then existing office or place of business and any new office or place of business shall be within the continental United States of America.

4.5 Lock Box Account. Borrower and Bank have established a lock box account (the "Lock Box Account") for Borrower with Bank pursuant to Bank's customary lock box documentation or other documentation in form or substance satisfactory to Bank. Borrower agrees that during the term of this Agreement the Lock Box Account shall be in existence at all times. Borrower shall direct all Obligors to remit all payments to the Lock Box Account. Borrower shall deposit all monies, checks, notes, drafts and all other payment for and/or proceeds of Collateral which come into the possession or under the control of Borrower (or any of its shareholders, directors, officers, employees, partners, agents or those Persons acting for or in concert with Borrower) and immediately upon receipt thereof, in kind, in the Lock Box Account. All payments made to the Lock Box Account will be credited to

Borrower's Account (conditional upon final collection) on the date of receipt by Bank. Borrower agrees to pay Bank each month any and all fees, costs and expenses associated with the Lock Box Account.

4.6 Lock Box Items. Bank, now or at any time hereafter, in its sole and absolute discretion, may take control of, in any manner, and may endorse Borrower's name to any of the items of payment or proceeds described in Paragraph 4.5 above. Borrower, irrevocably, hereby makes, constitutes and appoints Bank (and all Persons designated by Bank for that purpose) as Borrower's true and lawful agent and attorney-in-fact, with power, upon notice to Borrower, to take any such actions.

4.7 Claims Against Collateral. Bank, in its sole and absolute discretion, without waiving or releasing any of Borrower's Obligations or any Event of Default, may at any time or times hereafter, but shall be under no obligation to, pay, acquire and/or accept an assignment of any security interest, lien, encumbrance or claim asserted by any Person against the Collateral. All sums paid by Bank in respect thereof and all costs, fees and expenses, including reasonable attorneys' fees, court costs, expenses and other charges relating thereto incurred by Bank or for which Bank becomes obligated on account thereof shall be part of Borrower's Liabilities payable by Borrower to Bank on demand.

4.8 Evidencing Bank's Lien on Collateral. Immediately upon Borrower's receipt of that portion of the Collateral consisting of chattel paper and/or evidenced by an instrument and/or document Borrower shall mark the same to show that such Collateral is subject to a security interest in favor of Bank and shall deliver the original thereof to Bank, together with appropriate endorsement and/or other specific evidence of assignment thereof to Bank, in form and substance acceptable to Bank.

4.9 Additional Collateral. All such monies, reserves and proceeds and other property of Borrower in the possession of Bank or its bailee at any time or times hereafter are hereby pledged by Borrower to Bank as additional Collateral hereunder, and, in Bank's sole and absolute discretion, may be held by Bank until Borrower's Liabilities are paid in full or, at any time, may be applied by Bank on account of Borrower's Liabilities.

4.10 Sales of Collateral. No authorization given by Bank pursuant to this Agreement or the Other Agreements to sell any specified portion of Collateral or any items thereof, and no waiver by Bank in connection therewith shall establish a custom or constitute a waiver of the prohibition contained in this Agreement against such sales, with respect to any portion of the Collateral or any item thereof not covered by said authorization.

4.11 Application of Monies. Regardless of the adequacy of any Collateral, any deposits or other sums at any time credited by or payable or due from Bank or any bailee of Bank to Borrower, or any monies, cash, cash equivalents, certificates of deposit, securities, instruments, documents or other assets of Borrower in the possession or control of Bank or its bailee for any purpose may at any time be reduced to cash and applied by Bank to, or setoff by Bank against, Borrower's Liabilities hereunder.

4.12 Warranties on Equipment. Borrower warrants and represents to Bank that (a) Borrower has good, indefeasible, and merchantable title, free and clear of all liens, claims and encumbrances, to and ownership of the Equipment located on each of Borrower's places of business specified in Paragraph 4.4 hereof; (b) the Equipment is adequate and sufficient to conduct the business of Borrower as it is being conducted; (c) the Equipment shall be kept and/or maintained solely at the locations specified in Paragraph 4.4; and (d) all work in process is supported by conditional sales contracts therefor and is not built for Inventory.

4.13 Covenants on Equipment. Borrower shall keep and maintain the Equipment in good operating condition and repair and shall make all necessary replacements thereof and renewals thereto so that the value and operating efficiency thereof shall at all times be maintained and preserved.

4.14 Evidence of Ownership. Borrower, immediately on demand by Bank, shall deliver to Bank any and all evidence of ownership of, including without limitation, certificates of title to and applications for title to, any Equipment.

4.15 Additional Equipment. Borrower shall notify Bank within five (5) Business Days after it shall acquire any Equipment covered by certificates of title. With respect to such newly acquired Equipment, Borrower shall deliver to Bank, simultaneously with such notice, the certificates of title relating to such Equipment and appropriate financing statements, if required by applicable law, duly completed by Borrower, to enable Bank to perfect its lien in such Equipment.

5. COLLATERAL: ACCOUNTS

5.1 Eligible Account. An "Eligible Account" is an Account that, when scheduled to Bank and at all times thereafter does not violate the negative covenants and similar provisions of this Article, does satisfy the positive covenants and similar provisions of this Article and which the Bank otherwise deems acceptable for inclusion in the Borrowing Base as an Eligible Account. The following Accounts are not Eligible Accounts: (a) Accounts which remain unpaid for more than ninety (90) days after their invoice dates or Accounts owing by a single Obligor, including a currently scheduled Account, if twenty-five percent (25%) of the balance owing by said Obligor upon Accounts remains unpaid more than ninety (90) days after invoice date; (b) Accounts which are not due and payable within thirty (30) days after their invoice dates; (c) Accounts which represent leases of Leased Inventory; (d) Accounts with respect to which the Obligor is a director, officer, employee or agent of Borrower or is a Parent, a Subsidiary or an Affiliate; (e) Accounts with respect to which payment by the Obligor is or may be conditional and Accounts commonly known as bill and hold or Accounts of a similar or like arrangement; (f) Accounts with respect to which the Obligor is not a resident or citizen of or otherwise located in the continental United States of America, or which are not backed by a letter of credit naming the Bank as the beneficiary and in an amount, in a form and issued by a bank, acceptable to Bank in its sole discretion; (g) Accounts with respect to which the Obligor is the United States of America, any state, county, city, municipal and/or other governmental body, or any department, agency or instrumentality thereof unless Borrower assigns its right to payment of such Accounts to

Bank pursuant to the Assignment of Claims Act of 1940, as amended (31 U.S.C. §203, 41 U.S.C. §15, 41 C.F.R. §§1-30, 700 et seq.), or any similar law or regulation relating to the assignment or pledge of such Accounts; (h) Accounts with respect to which Borrower is or may become liable to the Obligor for goods sold or services rendered by such Obligor to Borrower; (i) Accounts with respect to which the goods giving rise thereto have not been shipped and delivered to and accepted as satisfactory by the Obligor thereof or with respect to which the services performed giving rise thereto have not been completed and accepted as satisfactory by the Obligor thereof; (j) Accounts which are not invoiced (and dated as of such date) and sent to the Obligor thereof concurrently with the shipment and delivery to said Obligor of the goods giving rise thereto or the performance of the services giving rise thereto; (k) Accounts with respect to which possession and/or control of the goods sold giving rise thereto is held, maintained or retained by Borrower (or by any agent or custodian of Borrower) for the account of or subject to further and/or future direction from the Obligor thereof; (l) Accounts arising from a "sale on approval" or a "sale or return"; (m) a portion of an Account to the extent that the Obligor has a deduction, credit, counterclaim or a right of set-off against the Account; (n) Accounts with respect to which the Obligor is the subject of bankruptcy or a similar insolvency proceeding or has made an assignment for the benefit of creditors or whose assets have been conveyed to a receiver or trustee; (o) Accounts as to which Bank, at any time or times hereafter, determines, in good faith, that the prospect of payment or performance by the Obligor is or will be impaired; (p) Accounts of an Obligor to the extent, but only the extent, that the same exceed a credit limit determined by Bank in its sole but reasonable discretion, at any time or times hereafter; (q) Accounts with respect to which the Obligor thereof is located in the State of New Jersey or Minnesota or any other jurisdiction which may prohibit the collection of Accounts unless the creditor has qualified to do business in such jurisdiction or otherwise filed the appropriate notice, report or other filing concerning business activities, unless the Borrower has complied with the applicable provisions of such jurisdiction, or is otherwise exempt from such reporting requirements under the laws of such jurisdiction; and (r) Accounts with respect to which Bank's security interest is not entitled to first priority.

5.2 Warranties on Accounts. With respect to Accounts, except as otherwise disclosed by Borrower to Bank in writing, Borrower warrants and represents to Bank that: (a) they are genuine, are in all respects what they purport to be and are not evidenced by a judgment; (b) they represent undisputed, bona fide transactions completed in accordance with the terms and provisions contained in the invoices and other documents delivered to Bank with respect thereto; (c) the amounts thereof, which may be shown on any Schedule of Accounts and/or all invoices and statements delivered to Bank with respect thereto, are actually and absolutely owing to Borrower and are not contingent for any reason; (d) no payments have been or shall be made thereon except payments immediately delivered to Bank pursuant to this Agreement; (e) there are no setoffs, counterclaims or disputes existing or asserted with respect thereto and Borrower has not made any agreement with any Obligor thereof for any deduction therefrom except a regular discount allowed by Borrower in the ordinary course of its business for prompt payment; (f) there are no facts, events or occurrences which in any way impair the validity or enforceability thereof or tend to reduce the amount payable thereunder from the amount thereof, which may be shown on any Schedule of Accounts and on all invoices and statements delivered to Bank with respect thereto; (g) to the best of Borrower's knowledge all Obligors have the capacity to contract

and are solvent; (h) the services furnished and/or goods sold giving rise thereto are not subject to any lien, claim, encumbrance or security interest except that of Bank; (i) Borrower has no knowledge of any fact or circumstance which would impair the validity or collectibility thereof; and (j) to the best of Borrower's knowledge, there are no proceedings or actions which are threatened or pending against any Obligor which might result in any material adverse change in its financial condition.

5.3 Verification of Accounts. Any of Bank's officers, employees or agents shall have the right, at any time or times hereafter, in Bank's name or in the name of a nominee of Bank, to verify the validity, amount or any other matter relating to any Accounts by mail, telephone, telegraph or otherwise. All costs, fees and expenses relating thereto incurred by Bank (or for which Bank becomes obligated) shall be part of Borrower's Liabilities, payable by Borrower to Bank on demand.

5.4 Schedule of Accounts. Within twenty (20) days after the close of business on the last day of each calendar month from and after the date hereof, Borrower shall deliver to Bank, in form and substance acceptable to Bank, a detailed aged trial balance of all then existing Accounts and such other matters and information relating to the status of then existing Accounts as Bank reasonably shall request. Borrower shall keep accurate and complete Records relating to its Accounts, which Records shall be made available to Bank at all times hereafter (during Borrower's customary business hours) for Bank's inspection, copying, verification or otherwise.

5.5 Covenants on Accounts. Unless Bank notifies Borrower in writing that Bank suspends any one or more of the following requirements, Borrower shall: (a) promptly upon Borrower's learning thereof, inform Bank, in writing, of any material delay in Borrower's performance of any of its obligations to any Obligor and of any assertion of any claims, offsets or counterclaims by any Obligor and of any allowances, credits and/or other monies granted by Borrower to any Obligor; (b) not permit or agree to any extension, compromise or settlement or make any change or modification of any kind or nature with respect to any Account, including any of the terms relating thereto; (c) promptly upon Borrower's receipt or learning thereof, furnish to and inform Bank of all material adverse information relating to the financial condition of any Obligor; and (d) keep all goods returned by any Obligor and all goods repossessed or stopped in transit by Borrower from any Obligor segregated from other property of Borrower, immediately notify Bank of Borrower's possession of such goods, and hold the same as trustee for Bank until otherwise directed in writing by Bank.

5.6 Attorney-in-Fact.

(a) Borrower, irrevocably, hereby designates, makes, constitutes and appoints Bank (and all Persons designated by Bank) as Borrower's true and lawful agent and attorney-in-fact, with power, without notice to Borrower and at such time or times hereafter as Bank, in its sole and absolute discretion may determine in Borrower's or Bank's name: (i) to endorse the name of Borrower upon any of the items of payments or proceeds referred to paragraph 4.5 above and to deposit the same pursuant to paragraph 4.6 above; (ii) to take control, in any manner, of any item of payment or proceeds referred to in paragraph 4.5 above; (iii) to sign the name of Borrower to verifications of the Accounts and notices thereof

to Obligors; and (iv) to do all acts and things necessary, in Bank's sole discretion, to fulfill Borrower's Obligations under this Agreement. Bank may exercise the power of attorney in Subsections (ii), (iii) and (iv) only to prevent or cure an act or omission which is an Event of Default or to preserve the Collateral.

(b) Borrower, irrevocably, hereby designates, makes, constitutes and appoints Bank (and all Persons designated by Bank) as Borrower's true and lawful agent and attorney-in-fact from and after an Event of Default, with power, without notice to Borrower and at such time or times hereafter as Bank, in its sole and absolute discretion, may determine, in Borrower's or Bank's name: (a) to demand payment of the Accounts; (b) to enforce payment of the Accounts by legal proceedings or otherwise; (c) to exercise all of Borrower's rights and remedies with respect to the collection of the Accounts; (d) to settle, adjust, compromise, extend or renew the Accounts; (e) to settle, adjust or compromise any legal proceedings brought to collect the Accounts; (f) to sell or assign the Accounts upon such terms, for such amounts and at such time or times as Bank deems advisable; (g) to discharge and release the Accounts; (h) to take control, in any manner, of any item of payment or proceeds referred to in Paragraph 4.5 above; (i) to prepare, file and sign Borrower's name on any notice of lien, assignment or satisfaction of lien or similar document in connection with the Accounts; (j) to prepare, file and sign Borrower's name on any proof of claim in bankruptcy or similar document against any Obligor; (k) to do all acts and things necessary, in Bank's sole discretion, to fulfill Borrower's Obligations under this Agreement; (l) to endorse the name of Borrower upon any of the items of payment or proceeds referred to in Paragraph 4.5 above and to deposit the same pursuant to Paragraph 4.9 above; (m) to endorse the name of Borrower upon any chattel paper, document, instrument, invoice, freight bill, bill of lading or similar document or agreement relating to the Accounts; and (n) to prepare, file and sign Borrower's name on any notice of lien, assignment or satisfaction of lien or similar document in connection with the Accounts.

5.7 Rights of Bank. From and after an Event of Default, Bank shall have the right, from time to time, in its sole and absolute discretion, without notice thereof to Borrower: (a) to notify any or all Obligors that the Accounts have been assigned to Bank and that Bank has a security interest therein; (b) to direct such Obligors to make all payments due from them to Borrower upon the Accounts directly to Bank; (c) to enforce payment of and collect, by legal proceedings or otherwise, the Accounts in the name of Bank and Borrower; and (d) to take control, in any manner, of any item of payment or proceeds referred to in Paragraph 4.5 above.

6. COLLATERAL: INVENTORY

6.1 Eligible Inventory. "Eligible Inventory" shall mean the Locomotive Inventory and Capital Goods Inventory which meet the following provisions: (a) consists of raw materials and finished goods of all types and descriptions and goods acquired and held for resale; (b) is not Leased Inventory or otherwise leased to customers of Borrower; (c) is located at one of the locations set forth in Paragraph 4.4; (d) does not violate the negative covenants and similar provisions of this Article and does satisfy the positive covenants and similar provisions of this Article; (e) Bank has in good faith determined, in accordance with

Bank's customary business practices, is not unacceptable due to age, type, category and/or quantity; (f) in which Bank has a first and valid fully perfected security interest; and (g) the Bank otherwise deems acceptable for inclusion in the Borrowing Base as Eligible Inventory.

6.2 Warranties on Inventory. Borrower warrants and represents to and covenants with Bank that: (a) Inventory shall be kept only at the locations specified in Paragraph 4.4 hereof; (b) Borrower, immediately upon demand by Bank therefor, now and from time to time hereafter, shall execute and deliver to Bank Designations of Inventory specifying Borrower's cost and value of Inventory and such other matters and information relating to Inventory as Bank may request; (c) Borrower does now keep and hereafter at all times shall keep correct and accurate Records itemizing and describing the kind, type, quality and quantity of locomotives and capital goods, Borrower's cost therefor, and withdrawals and additions thereto, all of which Records shall be available (during Borrower's usual business hours), upon demand, to any of Bank's officers, employees or agents for inspection and copying thereof; (d) all Inventory is now and hereafter at all times shall be of good, merchantable and first-grade quality, free from defects; (e) Inventory is not now and shall not at any time or times hereafter be stored with a bailee, warehouseman or similar party without Bank's prior written consent, and, in such event, Borrower will concurrently therewith cause any such bailee, warehouseman or similar party to issue and deliver to Bank, in form and substance acceptable to Bank, warehouse receipts therefor in Bank's name; (f) Inventory is not now and hereafter shall not be at any time subject to any lien or security interest whatsoever, except the security interest granted to Bank hereunder; (g) any of Bank's officers, employees or agents shall have the right, upon demand, now and at any time or times hereafter during Borrower's usual business hours, to inspect and examine Inventory and to check and test the same as to quality, quantity, value and condition; and (h) Bank's exercise of any of the rights or remedies described in Article 11 of this Agreement or in any of the Other Agreements shall not constitute a violation of any applicable law, or a breach of any provision contained in any agreement, instrument or document concerning the assignment or license of, or the payment of royalties for, any patents, patent rights, tradenames, trademarks, trade secrets, know-how, copyrights or any other form of intellectual property now or at any time or times hereafter protected as such by any applicable law. All costs, fees and expenses incurred by Bank in connection therewith (or which Bank becomes obligated to pay) shall be part of Borrower's Liabilities, payable by Borrower to Bank on demand.

6.3 Inventory No Longer Eligible Inventory. In the event of a breach of the warranty with respect to the value of Eligible Inventory, contained in paragraph 6.1 above, Borrower, immediately, shall pay to Bank an amount of monies sufficient to cure the same and/or Bank in its sole and absolute discretion, may pay to itself, for the account of Borrower, from (i) future Loans to be made by Bank to Borrower, and/or (ii) monies, reserves and proceeds received or collected by Bank pursuant to Paragraph 4.9 above, an amount necessary to satisfy (in whole or in part) the foregoing requirement. Notwithstanding Paragraph 11.1 hereof, if Borrower does not timely make such payment or if the monies referred to in clauses (i) and (ii) above are not sufficient therefor, the same shall be deemed an Event of Default by Borrower under this Agreement. Notwithstanding anything in paragraph 6.1 or this paragraph 6.3 to the contrary, Bank, at any time and from time to time in its sole discretion may suspend or waive Borrower's compliance with the warranty with respect to the value of Eligible Inventory, without notice to Borrower, any Guarantor or any

other Person which might be liable to Bank on account of Borrower's Liabilities and/or Borrower's Obligations, provided, however, that any such suspension or waiver shall not establish a custom or course of dealing or entitle Borrower to any subsequent suspension or waiver under the same or different circumstances.

6.4 Sale of Inventory. Borrower may sell Inventory in the ordinary course of its business (which does not include a transfer in partial or total satisfaction of Indebtedness), except that Borrower may not sell any Inventory at any time or times after the occurrence of an Event of Default which has not been waived or after which the Loan has not been reinstated. In no event shall Borrower make any sale of Inventory which would cause a breach of Paragraph 6.1 above.

6.5 Covenants on Inventory. Borrower shall be liable and responsible for: (a) the safekeeping of Inventory; (b) any loss or damage thereto or destruction thereof occurring or arising in any manner or fashion from any cause; (c) any diminution in the value thereof; or (d) any act or default of any carrier, warehouseman, bailee or forwarding agency thereof or other Person whomsoever.

6.6 Schedule of Inventory. Within 45 days after the close of business on the last day of each calendar month from and after the date hereof, Borrower shall deliver to Bank, in form and substance acceptable to Bank, a report of all then owned and existing Inventory and in such form and with such other matters and information relating to the status and value of then owned and existing Inventory as Bank reasonably shall request. Borrower shall keep accurate and complete Records relating to its Inventory, which records shall be made available to Bank at all times hereafter (during Borrower's customary business hours) for Bank's inspection, copying, verification or review.

7. COLLATERAL: LEASES

7.1 Warranties on Leases. With respect to each Assigned Lease, except as otherwise disclosed by Borrower to Bank in writing, Borrower warrants and represents to Bank that on the date that an Assigned Lease is assigned to Bank:

(a) Borrower has good, indefeasible, and merchantable title, free and clear of all liens, claims and encumbrances, to and ownership of the Leased Inventory and Borrower will not grant a security interest in the Collateral or sell the Collateral to any other party;

(b) Borrower has full power and authority to enter into the Assigned Lease;

(c) the Assigned Lease is genuine, and is in all respects what it purports to be and Borrower will not modify the terms of, terminate or supersede any Assigned Lease, and will fully and faithfully perform each and every obligation Borrower has under the Assigned Lease;

(d) the Assigned Lease represents an undisputed, bona fide transaction completed in accordance with the terms and provisions contained in the lease agreement and other documents delivered to Bank with respect thereto;

(e) to the best of Borrower's knowledge the Lessee has the capacity to contract and is solvent and Borrower has no knowledge of any fact or circumstance which would impair the validity or collectibility of the Assigned Lease;

(f) to the best of Borrower's knowledge, but without duty to inquiry, there are no proceedings or actions which are threatened or pending against any Lessee which might result in any material adverse change in its financial condition.

(g) Borrower shall keep and maintain, at its sole cost and expense, or cause Lessee to keep and maintain the Leased Inventory insured under all risk property insurance for the greater of the full insurable value or the full replacement value thereof. All such policies of insurance shall be in the form and with the terms provided in the Loan Agreement;

(h) Borrower shall or shall cause Lessee to keep and maintain the Leased Inventory in good operating condition and repair and shall make all necessary replacements thereof and renewals thereto so that the value and operating efficiency thereof shall at all times be maintained and preserved.

(i) The Leased Inventory has been delivered to and accepted by each Lessee. No Assigned Lease is in default and each Lessee has promptly made all payments due under its respective Assigned Lease.

(j) Borrower, upon request by Bank and at Borrower's cost and expense, will cause all financing and continuation statements and similar notices required by applicable law at all times to be kept, recorded and filed in such manner and in such places as may be required by law or reasonably requested by the Bank in order to preserve and protect the rights of the Bank in and to the Collateral;

(k) Without Bank's consent, Borrower will not (i) cancel, terminate or surrender any Assigned Lease or schedule or consent to or accept any cancellation, termination or surrender thereof otherwise than as may be provided in the Assigned Lease, (ii) give any consent, waiver or approval to any default or breach under the Assigned Lease, (iii) consent to or permit or accept any prepayment under any Assigned Lease, except as may be expressly provided thereunder, (iv) declare a default or exercise the remedies of the Lessor under any Assigned Lease, including, but not limited to, repossession or consent to the return of any of the Leased Inventory, unless, upon such declaration or exercise, Borrower shall pay to Bank the outstanding principal balance, and all accrued interest thereon, advanced by Bank to Borrower with respect to such Assigned Lease, or (v) take any other action (or fail to take any action) in connection with any Leased Inventory or Assigned Lease which would impair the interest or rights of Borrower or Bank thereunder or in the Leased Inventory.

7.2 Verification of Leases. Any of Bank's officers, employees or agents shall have the right, at any time or times hereafter, in Bank's name or in the name of a nominee of Bank, to verify the validity, amount or any other matter relating to any Leases by mail, telephone, telegraph or otherwise. All costs, fees and expenses relating thereto incurred by Bank (or for which Bank becomes obligated) shall be part of Borrower's Liabilities, payable by Borrower to Bank on demand.

7.3 Schedule of Leases. Within twenty (20) days after the close of business on the last day of each calendar month from and after the date hereof, Borrower shall deliver to Bank, in form and substance acceptable to Bank, a detailed certificate of all then existing Leases, the date through which rent under the Lease has been paid and such other matters and information relating to the status of then existing Leases as Bank reasonably shall request. Borrower shall keep accurate and complete Records relating to its Leases, which Records shall be made available to Bank at all times hereafter (during Borrower's customary business hours) for Bank's inspection, copying, verification or otherwise.

7.4 Covenants on Leases. Unless Bank notifies Borrower in writing that Bank suspends any one or more of the following requirements, Borrower shall: (a) promptly upon Borrower's learning thereof, inform Bank, in writing, of any assertion of any claims, offsets or counterclaims by any Lessee and of any allowances, credits and/or other monies granted by Borrower to any Lessee; (b) not permit or agree to any extension, compromise or settlement or make any change or modification of any kind or nature with respect to any Lease, including any of the terms relating thereto; and (c) promptly upon Borrower's receipt or learning thereof, furnish to and inform Bank of all material adverse information relating to the financial condition of any Lessee.

7.5 Field Audit. The Bank shall conduct an audit of the Borrower's books and records relating to the Borrower's Leases prior to the inclusion of any such Leases in the Borrowing Base as Eligible Assigned Leases; such audit shall be at the Borrower's cost and expense. Thereafter, the Bank may conduct 2 such audits in each calendar year of the Borrower, at Borrower's cost and expense, not to exceed \$500 for each such audit.

8. WARRANTIES, REPRESENTATIONS AND COVENANTS: INSURANCE AND TAXES

8.1 Maintenance of Collateral. Borrower, at its sole cost and expense, shall keep and maintain: (a) the Collateral insured for the greater of the full insurable value or the full replacement value thereof against loss or damage by fire, theft, explosion, sprinklers and all other hazards and risks ordinarily insured against by other owners or users of properties in similar businesses; (b) business interruption insurance; and (c) public liability insurance relating to Borrower's ownership and use of its assets. All such policies of insurance shall be in form, with insurers and in such amounts as may be satisfactory to Bank. Borrower shall deliver to Bank certificates for each policy of insurance, evidence of payment of all premiums for each such policy and, upon Bank's request therefor, copies of all such policies. Such policies of insurance (except those of public liability) shall contain a lender loss payable endorsement, in form and substance acceptable to Bank, showing loss payable to Bank. Such endorsement or an independent instrument furnished to Bank, shall provide that all insurance

companies will give Bank at least thirty (30) days prior written notice before any such policy or policies of insurance shall be altered or canceled and that no act or default of Borrower or any other Person shall affect the right of Bank to recover under such policy or policies of insurance in case of loss or damage. Borrower hereby directs all insurers under such policies of insurance (except those of public liability) to pay all proceeds payable thereunder directly to Bank. Borrower, irrevocably, appoints Bank (and all officers, employees or agents designated by Bank) as Borrower's true and lawful agent and attorney-in-fact for the purpose of endorsing the name of Borrower on any check, draft, instrument or other item of payment for the proceeds of such policies of insurance. Furthermore, Borrower, irrevocably, appoints Bank (and all officers, employees or agents designated by Bank) as Borrower's true and lawful agent and attorney-in-fact, from and after an Event of Default, for purposes of making, settling and adjusting claims under such policies of insurance, and for making all determinations and decisions with respect to such policies of insurance. In the event Borrower at any time or times hereafter shall fail to obtain or maintain any of the policies of insurance required above or to pay any premium in whole or in part relating thereto, then Bank, without waiving or releasing any of Borrower's Obligations or any Event of Default hereunder, may at any time or times thereafter (but shall be under no obligation to do so) obtain and maintain such policies of insurance and pay such premium and take any other action with respect thereto which Bank deems advisable. All sums so disbursed by Bank, including reasonable attorneys' fees, court costs, expenses and other charges relating thereto, shall be part of Borrower's Liabilities, payable by Borrower to Bank on demand.

8.2 Payment of Charges. Borrower shall pay promptly, when due, all of the Charges, provided, however, that notwithstanding the foregoing, Borrower may permit or suffer the Charges to attach to Borrower's assets and may dispute, without prior payment thereof, the Charges, provided that Borrower, in good faith, shall be contesting the same in an appropriate proceeding, enforcement thereof against any assets of Borrower shall be stayed and appropriate reserves therefor shall have been established on the Records of Borrower in accordance with generally accepted accounting principles. In the event Borrower, at any time or times hereafter, shall fail to pay the Charges required herein, Borrower shall so advise Bank thereof in writing; Bank may, without waiving or releasing any of Borrower's Obligations or any Event of Default hereunder, in its sole and absolute discretion, at any time or times thereafter, make such payment, or any part thereof, and take any other action with respect thereto which Bank deems advisable. All sums so paid by Bank and any expenses, including reasonable attorneys' fees, court costs, expenses and other charges relating thereto, shall be part of Borrower's Liabilities, payable by Borrower to Bank on demand.

9. WARRANTIES, REPRESENTATIONS AND COVENANTS: GENERAL

9.1 Affirmative Covenants. Except as disclosed in writing to Bank, Borrower warrants and represents to and covenants with Bank that:

(A) Borrower is and at all times hereafter shall be a corporation duly organized and existing and in good standing under the laws of Illinois and qualified or

licensed to do business and in good standing in all jurisdiction in which the laws thereof require Borrower to be so qualified and/or licensed;

(B) Borrower has the right, power and capacity and is duly authorized and empowered to enter into, execute, deliver and perform this Agreement and the Other Agreements;

(C) the execution, delivery and/or performance by Borrower of this Agreement and the Other Agreements shall not, by the lapse of time, the giving of notice or otherwise, constitute a violation of any applicable law or a breach of any provision contained in Borrower's Articles of Incorporation or By-Laws, or contained in any agreement, instrument or document to which Borrower is now or hereafter a party or by which it is or may become bound, or result in or require the creation of any lien, security interest, charge or other encumbrance upon or with respect to any now owned or hereafter arising or acquired properties of Borrower;

(D) this Agreement and the Other Agreements are and will be the legal, valid and binding agreements of Borrower enforceable in accordance with the their terms;

(E) Borrower has and at all times hereafter shall have good, indefeasible and merchantable title to and ownership of the Collateral, free and clear of all liens, claims, security interests and encumbrances, except those in favor of Bank;

(F) Borrower is now, and at all times hereafter shall be, solvent and generally paying its debts as they mature and Borrower now owns, and shall at all times hereafter own, property which, at a fair valuation, is greater than the sum of its debts;

(G) Borrower now has capital (including shareholder loans to Borrower which are subordinated to Borrower's Liabilities) sufficient to carry on its business and transactions and all businesses and transactions in which it is about to engage. Borrower shall have at all times hereafter capital sufficient to carry on its business and transactions and all businesses and transactions in which it is about to engage notwithstanding that such capital shall be in excess of any minimum capital provided for in this Agreement;

(H) there are no material actions or proceedings which are pending or threatened against Borrower;

(I) except for trade payables arising in the ordinary course of its business since the dates reflected in the Financials, Indebtedness disclosed in the Financials and the Borrower's Liabilities, Borrower has no Indebtedness;

(J) Borrower possesses adequate assets, licenses, patents, copyrights, trademarks and tradenames to continue to conduct its business as previously conducted by it;

(K) Borrower has and is in good standing with respect to all governmental permits, certificates, consents and franchises necessary to continue to conduct its business as

previously conducted by it and to own or lease and operate its properties as now owned or leased by it;

(L) none of said permits, certificates, consents or franchises contain any term, provision, condition or limitation more burdensome than such as are generally applicable to Persons engaged in the same or similar business as Borrower;

(M) Borrower is not a party to any contract or agreement or subject to any charge, restriction, judgment, decree or order materially and adversely affecting its business, property, assets, operations or condition, financial or otherwise;

(N) Borrower is not, and will not be during the term or any renewal term hereof, in violation of any applicable statute, regulation or ordinance of United States, of any province, city, town, municipality, county or of any other jurisdiction, or of any agency thereof;

(O) Borrower has filed or caused to be filed all tax returns which are required to be filed, and has paid all Charges shown to be due and payable on said returns or on any assessments made against it or any of its property, and all other Charges imposed on it or any of its properties by any governmental authority;

(P) Borrower is not in default with respect to any indenture, loan agreement, mortgage, deed or other similar agreement relating to the borrowing of monies to which it is a party or by which it is bound;

(Q) the Financials fairly and accurately present the assets, liabilities and financial conditions and results of operations of Borrower and such other Persons described therein as of and for the periods ending on such dates and have been prepared in accordance with generally accepted accounting principles and such principles have been applied on a basis consistently followed in all material respects throughout the periods involved;

(R) there has been no material and adverse change in the assets, liabilities or financial condition of Borrower since the date of the Financials; and

(S) the execution, delivery and performance by Borrower of this Agreement and/or the Other Agreements will not, except to the extent caused by independent actions of Bank, impose on or subject Bank to any liability, whether fixed or contingent, in respect of any environmental protection or other law, rule or regulation (including, without limitation, rules and regulations of the United States Environmental Protection Agency) controlling, governing or relating to the pollution or contamination of the air, water or land.

(T) Borrower shall keep in full force and effect and all pension, profit sharing, employee benefit or employee welfare plans which are presently in existence or which may come into existence and make all required contributions to such plan unless such plan may be terminated without any material liability to or material adverse effect on the Borrower.

(U) Borrower shall provide to Bank, at the Bank's discretion but in no event more than twice during each calendar year, an appraisal of all Inventory, in form and substance, and prepared by an appraiser, acceptable to Bank.

9.2 Negative Covenants. Borrower warrants and represents to and covenants with Bank that Borrower shall not, without Bank's prior written consent thereto, which Bank may or may not give in its sole discretion, concurrently or hereafter:

(A) grant a security interest in, assign, sell or transfer any of Borrower's assets to any Person or permit, grant, or suffer a lien, claim or encumbrance upon any of Borrower's assets except: (i) liens created by this Agreement and the Other Agreements; and (ii) liens for Charges which are not yet due and payable and (iii) Indebtedness existing as of the date hereof and owed to Concord Finance with respect to certain locomotives leased to the Chicago & Northwestern Railroad;

(B) permit or suffer any levy, attachment or restraint to be made affecting any of its assets or the Collateral;

(C) permit or suffer any receiver, trustee or assignee for the benefit of creditors, or any other custodian to be appointed to take possession of all or any of Borrower's assets or any of the Collateral;

(D) merge or consolidate with or acquire any Person, or sell all or substantially all of its assets to any Person;

(E) modify, amend or supplement Borrower's Articles of Incorporation or similar document;

(F) suffer or permit any change in the record or beneficial ownership of any of Borrower's Stock;

(G) enter into any transaction not in the ordinary course of business which materially and adversely affects Borrower's ability to repay Borrower's Liabilities or Indebtedness, or materially and adversely affects the Collateral;

(H) other than in the ordinary course of business, make any investment in the Stock or obligations of any Person, provided, however, notwithstanding the foregoing, Borrower may make investments in certificates of deposit of a banking institution having a net worth acceptable to Bank;

(I) guaranty or otherwise, in any way, become liable with respect to the obligations or liabilities of any Person, including, without limitation, by agreement to maintain net worth or working capital, or to purchase the obligations or property of any such Person, or to furnish funds to any such Person, directly or indirectly, through the purchase of goods, supplies or services, or obtain upon its credit the issuance of any letter or letters of credit for the obligations of any such Person, provided, however, that the foregoing shall not

apply to endorsement of instruments or items of payment for deposit or collection in the ordinary course of business;

(J) make any material change in Borrower's capital structure or in any of its business objectives, purposes and operations;

(K) other than as specifically permitted in or contemplated by this Agreement, encumber, pledge, mortgage, sell, lease or otherwise dispose of or transfer, whether by sale, merger, consolidation or otherwise, any of Borrower's assets;

(L) redeem, retire, purchase or otherwise acquire, directly or indirectly, any of Borrower's Stock or other evidence of ownership interest;

(M) redeem or otherwise acquire any Indebtedness, except as required in accordance with the express terms of the agreement or instrument creating or evidencing such Indebtedness and then so long as no Default or Event of Default shall have occurred or would occur after giving effect thereto;

(N) enter into any transactions, including, without limitation, the purchase, sale or exchange of property or the rendering of any services, with any Affiliate, or enter into, assume or suffer to exist any employment, management, administration, advisory or consulting contract with any Affiliate or any officer, director or partner of any Affiliate, except a transaction or contract which is in the ordinary course of business, is otherwise permitted by this Agreement and is upon fair and reasonable terms no less favorable than would be obtained in a comparable arms-length transaction with a Person not an Affiliate;

(O) declare or pay dividends upon any of Borrower's Stock or make any distributions or transfers of Borrower's property or assets or make any loans, advances and/or extensions of credit to any Persons, except as permitted in this Agreement or the Other Agreements; provided, for so long as Borrower maintains its election as an "S" Corporation under the Internal Revenue Code of 1986 (as amended from time to time) Borrower may make distributions to its stockholders of up to 40% of its net earnings or, in order to enable stockholders to make quarterly deposits of estimated taxes, a reasonably determined estimate of Borrower's net earnings for the current tax year; provided further, that any amounts so distributed by Borrower to a stockholder which is returned to Borrower in the form of (i) debt subordinated to the Borrower's Liabilities and the Borrower's Obligations in a manner acceptable to Bank, or (ii) an equity contribution, shall be excluded from the calculation of 40% of Borrower's net earnings;

(P) terminate or withdraw from any pension (or similar) plan so as to result in any material liability or penalty (in the sole opinion of Bank) of Borrower to the pension plan, pension trustee, Pension Benefit Guaranty Corporation or otherwise, or permit to occur any Reportable Event or Prohibited Transaction (as defined in Title IV of the Employee's Retirement Income Security Act of 1974 as the same may be amended and in effect from time to time), or any other event or condition, which presents a material risk (in the sole opinion of Bank) of such termination or withdrawal;

(Q) incur Indebtedness (other than Borrower's Liabilities), except for (i) trade payables arising in the ordinary course of business and (ii) Indebtedness existing as of the date hereof and owed to Concord Finance with respect to certain locomotives leased to the Chicago & Northwestern Railroad and (iii) other Indebtedness not to exceed \$1,500,000 at any one time outstanding, so long as (a) no Default or Event of Default has occurred prior to the incurrence thereof or would result after giving effect thereto and (b) the Indebtedness is incurred in connection with a specific lease transaction, has a scheduled maturity date which is at least 7 years from the date such Indebtedness is incurred, the amortization of such Indebtedness does not exceed what the amortization would be if it was on a straight line basis, and the Borrower does not prepay any scheduled principal payments thereon;

(R) except pursuant to this Agreement and the Other Agreements, issue any power of attorney or other contract or agreement giving any Person power or control over the day-to-day operations of Borrower's business;

(S) permit Borrower's Tangible Net Worth to be less than \$14,000,000 at any time;

(T) permit the ratio of (i) the amount of all liabilities of Borrower, except Indebtedness, the payment of which is subordinated to the indebtedness of the Borrower to the Bank on terms acceptable to the Bank, to (ii) Tangible Net Worth, to be more than 2.0 to 1.0 at any time;

(U) fail to comply in any material respect with any applicable provision of any other applicable local, state or federal environmental protection health or safety, statute, health or safety or regulation relating to or imposing liability or standards concerning Hazardous Material;

(V) permit the sum of net after tax profits plus the increase in subordinated debt of the Borrower, determined in accordance with generally accepted accounting principals, for any fiscal year of Borrower to be less than \$500,000 or for any fiscal quarter of Borrower to be less than \$1.00;

(W) permit the aggregate amount of annual salaries of all officers and directors of Borrower for any fiscal year, less any loans made by such officers or directors to Borrower during such year less any amount necessary to satisfy the tax liability on all income of the Borrower for any fiscal year, such total liabilities to be evidenced by tax returns filed with the applicable taxing authorities and provided to Bank on an annual basis, to exceed 40% of the Borrower's net income for such fiscal year; and

(X) allow the aggregate amount of all obligations and liabilities (including, without limitation, all debts, claims and indebtedness, whether primary, secondary, direct, contingent, fixed or otherwise, heretofore, now and/or from time to time hereafter owing, due or payable, however evidenced, created, incurred, acquired or owing and however arising) owing to Borrower from Affiliates including, but not limited to, indebtedness incurred through advances to or for the benefit of Affiliates, accounts receivable owing from Affiliates, leases under which the Affiliate is the lessee, or guaranties of Affiliate liabilities,

to exceed, at any one time \$1,000,000; provided, however, that in addition to the foregoing, Borrower shall be permitted to guaranty the payment and performance of all obligations, liabilities and indebtedness of NREC Power Systems, Inc. to the Bank.

9.3 Performance of Obligations. Borrower warrants and represents to and covenants with Bank that Borrower shall, unless Bank consents thereto in writing, do all of the following during the term and each renewal term: (a) pay or discharge or otherwise satisfy at or before maturity or before the same becomes delinquent, all Indebtedness; (b) preserve and maintain its corporate existence, rights, privileges and franchises in the jurisdiction of its incorporation or organization, and qualify and remain qualified to do business in each other jurisdiction in which such qualification is necessary in view of its business or operations; (c) comply with all laws, rules, regulations and governmental orders (federal, state and local) having applicability to it or to the business or businesses at any time conducted by it; (d) duly and punctually pay and perform each of its obligations under this Agreement and the Other Agreements in accordance with the terms thereof; and (e) furnish to Bank, as soon as possible and in any event within five (5) days after Borrower shall have obtained knowledge of the occurrence of an Event of Default, the written statement of the Chief Financial Officer of Borrower setting forth the details of such Event of Default and the action which Borrower proposes to take with respect thereto.

10. WARRANTIES, REPRESENTATIONS AND COVENANTS: FINANCIAL STATEMENTS

10.1 Financial Statements. Borrower covenants with Bank that Borrower shall keep Records and prepare financial statements and shall cause to be furnished to Bank the following (all of the foregoing and following to be kept and prepared in accordance with generally accepted accounting principles applied on a basis consistent with the Financials unless Borrower's certified public accountants concur in any changes therein and such changes are consistent with then generally accepted accounting principles):

(A) As soon as available but not later than one hundred five (105) days after the close of each fiscal year of Borrower, a copy of the annual audited financial statements of Borrower prepared on a consolidated and consolidating basis in conformity with generally accepted accounting principles and consisting of a balance sheet of Borrower as of the end of, and related statements of operations and cash flow for, such year, together with a reconciliation of capital of Borrower for such year, audited by Borrowers regularly certified public accountants.

(B) As soon as available but not later than 45 days after the end of each month hereafter, a balance sheet of Borrower as at the end of, and the related statement of operations for, the portion of Borrower's fiscal year then elapsed, in form and substance acceptable to Bank, all certified by Borrower to be prepared in accordance with generally accepted accounting principles and to present fairly the financial position and results of operations of Borrower for such period.

(C) Such other data and information (financial and otherwise) as Bank, from time to time, may request bearing upon or related to the Collateral, Borrower's financial condition and/or results of operations.

(D) As soon as available, and in any event within 45 days after the last day of each calendar month, a Borrowing Base certificate in the form attached hereto as Exhibit C showing the computation of the Borrowing Base in reasonable detail as of the close of business on the last day of such month, prepared by the Borrower and certified to by the chief financial officer of the Borrower;

Each of the financial statements furnished to the Bank pursuant to subsection (A) of this Paragraph 10.1 and each of the financial statements furnished to Bank pursuant to subsection (B) of this Paragraph 10.1 for the month ending at the end of each fiscal quarter of the Borrower shall be accompanied by a written certificate in the form attached hereto as Exhibit D signed by the chief financial officer of the Borrower to the effect that to the best of the chief financial officer's knowledge and belief no Default or Event of Default has occurred during the period covered by such statements or, if any such Default or Event of Default has occurred during such period, setting forth a description of such Default or Event of Default and specifying the action, if any, taken by the Company to remedy the same. Such certificate shall also set forth the calculations supporting such statements in respect of clauses (S), (T) and (V) of Paragraph 9.2 of this Agreement.

With each request for an advance, Borrower shall deliver to Bank a Borrowing Base Certificate in the form attached hereto as Exhibit C, executed by the president or chief financial officer of Borrower, in form and substance acceptable to Bank, certifying as to the Borrowing Base of Borrower. Any other determination of the value of Eligible Inventory, Eligible Accounts and Eligible Assigned Leases shall be subject to the approval of Bank as to the method and basis for such determination. Borrower warrants and represents to and covenants with Bank that, upon Bank's request therefor, there shall be attached to each Schedule of Accounts or Designation of Inventory a true and correct copy of such invoices, delivery receipts and other documents relating to the Accounts scheduled thereon, or Inventory designated thereon, as the case may be, as Bank may request.

11. DEFAULT

11.1 Event of Default. The occurrence of any one of the following events shall constitute an event of default ("Event of Default") under this Agreement: (a) Borrower shall default in the performance or observance of any of Borrower's Obligations under Articles 8, 9 or 10 of this Agreement; (b) Borrower shall default in the performance or observance of any other of Borrower's Obligations (not constituting an Event of Default under any other clause of this Paragraph 11.1) and such Default shall continue unremedied for a period of thirty (30) days after Borrower shall have obtained knowledge thereof; (c) if any representation or warranty on the part of Borrower contained in this Agreement or the Other Agreements, or any document, instrument or certificate delivered pursuant hereto or thereto shall have been incorrect in any material respect when made or deemed made; (d) if Borrower fails to pay Borrower's Liabilities, when due and payable or declared due and payable; (e) if the Collateral, any collateral securing the obligations to Bank of any

Guarantor or any other material portion of Borrower's or any such Guarantor's assets are attached, seized, subjected to a writ of distress warrant, or are levied upon, or come within the possession of any receiver, trustee, custodian or assignee for the benefit of creditors and the same is not terminated or dismissed within twenty (20) days thereafter; (f) if a petition under any section or chapter of the Bankruptcy Code, as amended, or any similar law or regulation shall be filed by Borrower or any Guarantor or if Borrower or any Guarantor shall make an assignment for the benefit of its creditors or if any case or proceeding is filed by Borrower or any Guarantor for its dissolution or liquidation; (g) if Borrower or any Guarantor is enjoined, restrained or in any way prevented by court order from conducting all or any material part of its business affairs or if a petition under any section or chapter of the Bankruptcy Code, as amended, or any similar law or regulation is filed against Borrower or any Guarantor or if any case or proceeding is filed against Borrower or any Guarantor for dissolution or liquidation and such injunction, restraint or petition is not dismissed or stayed within thirty (30) days after the entry or filing thereof; (h) if an application is made by Borrower or any Guarantor for the appointment of a receiver, trustee or custodian for the Collateral, any collateral securing such Guarantor's obligations to Bank or any other material portion of Borrower's or such Guarantor's assets; (i) if an application is made by any Person other than Borrower or any Guarantor for the appointment of a receiver, trustee, or custodian for the Collateral, any collateral securing such Guarantor's obligation's to Bank or any other material portion of Borrower's or such Guarantor's assets and the same is not dismissed within thirty (30) days after the application therefor; (j) except as permitted in Paragraph 8.2 above, if a notice of any Charge is filed of record with respect to all or any of Borrower's assets, or if any Charge becomes a lien or encumbrance upon the Collateral or any other of Borrower's assets and the same is not released within thirty (30) days after the same becomes a lien or encumbrance; (k) if Borrower is in default in the payment of Indebtedness (other than Borrower's Liabilities) and such default is declared and is not cured within the time, if any, specified therefor in any agreement governing the same; (l) the death or incompetency of any Guarantor (which is an individual), or the appointment of a conservator for all or any material portion of Borrower's or any such Guarantor's assets or the Collateral; (m) the occurrence of a default or Event of Default under any agreement, instrument and/or document executed and delivered by any Guarantor to Bank, which is not cured within the time, if any, specified therefor in such agreement, instrument or document; (n) the occurrence of a default or an Event of Default under any of the Other Agreements, which is not cured within the time, if any, specified therefor in such Other Agreement; (o) if one or more judgments or decrees shall be entered against Borrower, and all such judgments or decrees shall not have been vacated, discharged or stayed pending appeal within thirty (30) days from the entry thereof; (p) if this Agreement or any of the Other Agreements shall cease for any reason to be in full force and effect (other than by reason of the satisfaction of all of Borrower's Liabilities or voluntary release by Bank of any Other Agreement) or Borrower or any other Person (other than Bank) shall disavow its obligations thereunder, or shall contest the validity or enforceability of any thereof; (q) if any lien or security interest in any Collateral or any collateral securing the obligations of any Guarantor to Bank shall for any reason cease to be a legal, valid, perfected or enforceable first priority lien on and security interest in such Collateral or Guarantor's collateral (other than by reason of the payment in full of all obligations secured thereby or voluntary release by the secured party of such Collateral or Guarantor's collateral); (r) the death of Lawrence J. Beal; (s) if Bank, in good faith, determines, as a result of facts or circumstances which are commercially

reasonable, that the Bank is insecure as to the payment of Borrower's Liabilities or the performance of Borrower's Obligation or as to its security interest in or the value of the Collateral; or (t) the Borrower or any affiliate of the Borrower, uses any portion of the proceeds of the Loans, either directly or indirectly, for the purpose of (i) purchasing any securities underwritten or privately placed by ABN AMRO Securities (USA) Inc. ("AASI"), an affiliate of the Bank, or (ii) refinancing or making payments of principal, interest or dividends on any securities issued by the Borrower or any affiliate of the Borrower, and underwritten, privately placed or dealt in by AASI.

11.2 Remedies Cumulative. All of Bank's rights and remedies under this Agreement and the Other Agreements are cumulative and non-exclusive.

11.3 Obligation to Advance. Upon an Event of Default or the occurrence of any one of the events described in Paragraph 11.1 (notwithstanding Borrower's right to cure the same thereafter), without notice by Bank to or demand by Bank of Borrower, Bank shall have no further obligation to and may then forthwith cease advancing monies or extending credit to or for the benefit of Borrower under this Agreement and the Other Agreements; provided, however, upon the written waiver by Bank of such Event of Default or Borrower's cure of such event, Bank's commitment hereunder shall be reinstated, subject to the terms of any such waiver. Upon an Event of Default, without notice by Bank to or demand by Bank of Borrower, Borrower's Liabilities shall be due and payable, forthwith.

11.4 Bank's Remedies. Upon an Event of Default, Bank, in its sole and absolute discretion, may: (a) exercise any one or more of the rights and remedies accruing to a secured party under the Uniform Commercial Code of the relevant state or states and any other applicable law upon default by a debtor; (b) enter, with or without process of law and without breach of the peace, any premises where the Collateral is or may be located, and without charge or liability to Bank therefor seize and remove the Collateral from said premises and/or remain upon said premises and use the same for the purpose of collecting, preparing and disposing of the Collateral; and (c) sell or otherwise dispose of the Collateral at public or private sale for cash or credit, provided, however, that Borrower shall be credited with the net proceeds of such sale only when such proceeds are actually received by Bank pursuant to Paragraph 13.1 hereof.

11.5 Assemble Collateral. Upon an Event of Default, Borrower, immediately upon demand by Bank, shall assemble the Collateral and make it available to Bank at a place or places to be designated by Bank which are reasonably convenient to Bank and Borrower. Borrower recognizes that in the event Borrower fails to perform, observe or discharge any of Borrower's Obligations, no remedy of law will provide adequate relief to Bank, and agrees that Bank shall be entitled to temporary and permanent injunctive relief in any such case without the necessity of proving actual damages.

11.6 Notice of Sale. Any notice required to be given by Bank of a sale, lease, other disposition of the Collateral or any other intended action by Bank, deposited in the United States mail, postage prepaid and duly addressed to Borrower at its principal place of business specified at the beginning of this Agreement not less than ten (10) days prior to

such proposed action, shall constitute commercially reasonable and fair notice to Borrower thereof.

11.7 Sale of Collateral. Upon an Event of Default, Borrower agrees that Bank may, if Bank deems it reasonable, postpone or adjourn any such sale of the Collateral from time to time by an announcement at the time and place of sale or by announcement at the time and place of such postponed or adjourned sale, without being required to give a new notice of sale. Borrower agrees that Bank has no obligation to preserve rights against prior parties to the Collateral. Further, Borrower waives and releases any cause of action and claim against Bank as a result of Bank's possession, collection or sale of the Collateral, any liability or penalty for failure of Bank to comply with any requirement imposed on Bank relating to notice of sale, holding of sale or reporting of sale of the Collateral, and, to the extent permitted by law, any right of redemption from such sale.

11.8 Waiver of Demand and Bond. In the event Bank seeks possession of the Collateral through replevin or other court process, Borrower hereby irrevocably waives (a) any bond, surety or security required as an incident to such possession, and (b) any demand for possession of the Collateral prior to commencement of any suit or action to recover possession thereof.

11.9 Right to Cure. Upon the occurrence of any one of the events described in Paragraph 11.1 above, notwithstanding Borrower's right to cure the same before it becomes an Event of Default, Bank, if it determines that the Collateral or the payment of Borrower's Liabilities is jeopardized, may enforce such of its rights and remedies under this Article as Bank deems necessary or proper.

12. CONDITIONS PRECEDENT TO DISBURSEMENT

12.1 Conditions to First Disbursement. The obligation of Bank to make the Loans to Borrower is subject to the condition precedent that, in addition to satisfaction of the conditions set forth in Paragraphs 12.2 and 12.3 hereof, Bank shall have received, prior to the disbursement of the proceeds of any of the Loans hereunder, the following, duly executed and in form and substance satisfactory to Bank:

- (A) a duly executed copy of this Agreement;
- (B) a Revolving Credit Note in the original face amount of \$12,000,000, duly executed by Borrower, payable to the order of Bank;
- (C) Continuing Unconditional Guaranty duly executed by Lawrence J. Beal, guarantying Borrower's Obligations and Borrower's Liabilities to Bank;
- (D) Subordination Agreements duly executed by Lawrence J. Beal and Sandra Beal, subordinating all Indebtedness of the Borrower to Lawrence J. Beal and Sandra Beal to the Borrower's Liabilities;

(E) Financing Statements, duly executed by Borrower, showing Borrower as Debtor, in favor of Bank, as Secured Party, to be filed in the jurisdiction in which Borrower maintains its chief executive office and in each other jurisdiction in which Borrower conducts its business operations and/or maintains Collateral and Interstate Commerce Commission filings prepared and duly executed by Borrower with respect to the Locomotive Inventory or Leased Inventory;

(F) Lien Search Report with respect to Borrower, together with duly executed releases and/or termination statements as Bank may request;

(G) Certificate of the Secretary of Borrower as to Officers and Directors, Directors' Resolutions, By-laws and miscellaneous matters;

(H) Certified copies of the Articles of Incorporation of Borrower and certificate of good standing in any jurisdiction in which Borrower is qualified to do business;

(I) Landlord Waiver executed by the landlord of Borrower's places of business in favor of Bank, together with a copy of each Lease;

(J) Favorable opinions of counsel for Borrower as to such matters as Bank may reasonably request;

(K) Certificate(s) of insurance in respect of all property, casualty, liability, business interruption and other insurance maintained by Borrower in respect of the Collateral or otherwise in respect of its business, together with lender loss payable and other endorsements acceptable as to form and substance to Bank; and

(L) Such other opinions, documents, assignments, certificates or approvals as Bank reasonably may request.

All of the foregoing shall be in form and substance reasonably acceptable to Bank and its counsel. Any of the foregoing may be waived or the time for delivery extended by agreement of the parties.

12.2 Satisfaction of Bank and its Counsel. The obligation of Bank to make the Loans to or issue Letters of Credit for the account of Borrower is subject to the further condition precedent that all proceedings taken in connection with the transaction contemplated by this Agreement, and all instruments, authorizations and other documents applicable thereto, shall be satisfactory in form and substance to Bank and its counsel.

12.3 Conditions to Subsequent Disbursements. In addition to the foregoing, the obligation of the Bank to make any Loan or issue any Letter of Credit is subject to the conditions precedent that as of the time of making each extension of credit (including the initial extension of credit) hereunder:

(A) no litigation shall be outstanding or have been instituted or threatened which Bank determines to be material against Borrower or any Affiliate or any of the Collateral;

(B) each of the representations and warranties of Borrower set forth in this Agreement and each of the Other Agreements to which Borrower is a party shall be true and correct as of such time to the same extent as originally made on such date; and

(C) no Default or Event of Default has occurred or is continuing or would occur as a result of making such extension of credit;

(D) after giving effect to such extension of credit, the aggregate principal amount of all Revolving Loans, Term Loans and Letters of Credit outstanding under this Agreement shall not exceed the lesser of (i) the Commitment or (ii) the Borrowing Base; in connection therewith the Borrower shall deliver to Bank a Borrowing Base Certificate in the form of Exhibit C attached hereto executed by the president or chief financial officer of the Borrower, in form and substance acceptable to the Bank, and showing that after giving effect to the requested Loan or Letter of Credit the aggregate principal amount of Borrower's Liabilities outstanding would not exceed the lesser of the Borrowing Base or the Commitment;

(E) in the case of the issuance of any Letter of Credit, the Bank shall have received a properly completed Application therefor together with the fees referred to in Paragraph 3.3(f) hereof; and

(F) in the case of the making of any Term Loan (including the conversion of any or all of a Revolving Loan to a Term Loan), the Bank shall, in addition to the foregoing, have received:

(i) a Term Loan Drawing Certificate in the form of Exhibit E attached hereto, signed by the president of the Borrower and otherwise acceptable to the Bank;

(ii) a Term Note of the Borrower in the form (with appropriate insertions) of Exhibit A-2 attached hereto, dated the date of the issuance thereof, in the principal amount of the Term Loan evidenced thereby and expressed to mature on the date selected by the Borrower in the Term Loan Drawing Certificate (such date shall not be later than the date occurring 60 months after the Term Loan was made to the Borrower); and

(iii) the fees referred to in Paragraph 3.4(d) hereof.

The Borrower's request for any Loan or Letter of Credit shall constitute its warranty as to the foregoing effects.

13. GENERAL

13.1 Availability of Funds. Any check, draft or similar item of payment by or for the account of Borrower delivered to Bank on account of Borrower's Liabilities shall, provided the same is honored and final settlement thereof is reflected by irrevocable credit to Bank, be applied by Bank on account of Borrower's Liabilities in accordance with the Bank's published schedule on funds availability.

13.2 Payment of Costs and Expenses. That portion of Borrower's Liabilities consisting of monies, costs, expenses or advances to be reimbursed by Borrower to Bank pursuant to this Agreement shall be payable by Borrower to Bank on demand.

13.3 Statement of Account. Each statement of account by Bank delivered to Borrower relating to Borrower's Liabilities shall be presumed correct and accurate and shall constitute an account stated between Borrower and Bank unless, within thirty (30) days after Borrower's receipt of said statement, Borrower delivers to Bank, by registered or certified mail addressed to Bank at its place of business specified above, written objection thereto specifying the error or errors, if any, contained in any such statement.

13.4 Application of Payments. Borrower waives the right to direct the application of any and all payments at any time or times hereafter received by Bank on account of Borrower's Liabilities and Borrower agrees that Bank shall have the continuing exclusive right to apply and reapply any and all such payments in such manner as Bank may deem advisable, notwithstanding any entry by Bank upon any of its books and records.

13.5 Representations and Warranties. Borrower covenants, warrants and represents to Bank that all representations and warranties of Borrower contained in this Agreement and the Other Agreements shall be true at the time of Borrower's execution of this Agreement and the Other Agreements, shall survive the execution, delivery and acceptance thereof by the parties thereto and the closing of the transactions described therein or related thereto and shall be true from the time of Borrower's execution of this Agreement to the end of the term hereof.

13.6 Amendment and Modification. This Agreement and the Other Agreements may not be modified, altered or amended except by an agreement in writing signed by Borrower and Bank. Borrower may not sell, assign or transfer this Agreement or the Other Agreements or any portion thereof, including, without limitation, Borrower's rights, titles, interests, remedies, powers and/or duties thereunder. Borrower hereby consents to Bank's sale, assignment, transfer or other disposition, at any time and from time to time hereafter, of this Agreement or the Other Agreements, or of any portion thereof, including, without limitation, Bank's rights, titles, interests, remedies, powers and/or duties.

13.7 Waiver. Bank's failure at any time or times hereafter to require strict performance by Borrower of any provision of this Agreement shall not waive, affect or diminish any right of Bank thereafter to demand strict compliance and performance therewith. Any suspension or waiver by Bank of an Event of Default by Borrower under this Agreement or the Other Agreements shall not suspend, waive or affect any other Event of Default by Borrower under this Agreement or the Other Agreements, whether the same is prior or subsequent thereto and whether of the same or of a different type. None of the undertakings, agreements, warranties, covenants and representations of Borrower contained in this Agreement or the Other Agreements and no Event of Default by Borrower under this Agreement or the Other Agreements shall be deemed to have been suspended or waived by Bank unless such suspension or waiver is by an instrument in writing signed by an officer of Bank and directed to Borrower specifying such suspension or waiver.

13.8 Severability. If any provision of this Agreement or the Other Agreements or the application thereof to any Person or circumstance is held invalid or unenforceable, the remainder of this Agreement and the Other Agreements and the application of such provision to other Persons or circumstances will not be affected thereby and the provisions of this Agreement and the Other Agreements shall be severable in any such instance.

13.9 Binding. This Agreement and the Other Agreements shall be binding upon and inure to the benefit of the successors and assigns of Borrower and Bank. This provision, however, shall not be deemed to modify Paragraph 13.6 hereof.

13.10 Incorporation by Reference. The provisions of the Other Agreements are incorporated in this Agreement by this reference thereto. Except as otherwise provided in this Agreement and except as otherwise provided in the Other Agreements by specific reference to the applicable provision of this Agreement, if any provision contained in this Agreement is in conflict with, or inconsistent with, any provision in the Other Agreements, the provision contained in this Agreement shall govern and control.

13.11 Effect of Termination. Except to the extent provided to the contrary in this Agreement and in the Other Agreements, no termination or cancellation (regardless of cause or procedure) of this Agreement or the Other Agreements shall in any way affect or impair the powers, obligations, duties, rights and liabilities of Borrower or Bank in any way or respect relating to (i) any transaction or event occurring prior to such termination or cancellation, (ii) the Collateral and/or (iii) any of the undertakings, agreements, covenants, warranties and representations of Borrower contained in this Agreement or the Other Agreements. All such undertakings, agreements, covenants, warranties and representations shall survive such termination or cancellation.

13.12 Waiver of Notice. Except as otherwise specifically provided in this Agreement, Borrower waives any and all notice or demand which Borrower might be entitled to receive with respect to this Agreement or the Other Agreements by virtue of any applicable statute or law, and waives presentment, demand and protest and notice of presentment, protest, default, dishonor, non-payment, maturity, release, compromise, settlement, extension or renewal of any or all commercial paper, accounts, contract rights, documents, instruments, chattel paper and guaranties at any time held by Bank on which

Borrower may in any way be liable and hereby ratifies and confirms whatever Bank may do in this regard.

13.13 Authorized Signatories. Until Bank is notified by Borrower to the contrary in writing by registered or certified mail directed to Bank's principal place of business, the signature upon this Agreement or upon any of the Other Agreements of any officer of Borrower, or of any other Person designated in writing to Bank by any of the foregoing ("Designated Person") shall bind Borrower and be deemed to be the duly authorized act of Borrower.

13.14 Attorney-in-Fact. Borrower hereby appoints Bank as Borrower's agent and attorney-in-fact for the purpose of carrying out the provisions of this Agreement and the Other Agreements, and taking any action and executing any agreement, instrument or document which Bank may deem necessary or advisable to accomplish the purposes hereof which appointment is irrevocable and coupled with an interest. All monies paid for the purposes herein, and all costs, fees and expenses paid or incurred in connection therewith, shall be part of Borrower's Liabilities, payable by Borrower to Bank on demand.

13.15 Costs of Bank. Upon demand by Bank therefor, Borrower shall reimburse Bank for all costs, fees and expenses incurred by Bank, whether to third parties or internally, or for which Bank becomes obligated, in connection with the negotiation, preparation, closing or administration of this Agreement and the Other Agreements, including, without limitation, attorneys' fees, costs and expenses, search fees, costs and expenses, title insurance policy fees, costs and expenses, filing and recording fees, all taxes payable in connection with this Agreement or the Other Agreements, appraisal fees for Collateral and bank audit fees.

13.16 Acceptance by Bank. This Agreement and the Other Agreements are submitted by Borrower to Bank (for Bank's acceptance or rejection thereof) at Bank's principal place of business as an offer by Borrower to borrow monies from Bank now and from time to time hereafter and shall not be binding upon Bank or become effective until and unless accepted by Bank, in writing, at said place of business. If so accepted by Bank, this Agreement and the Other Agreements shall be deemed to have been made at said place of business. This Agreement and the Other Agreements shall be governed and controlled by the laws of the State of Illinois as to interpretation, enforcement, validity, construction, effect and in all other respects without reference to principles of choice of law.

13.17 Forum and Waiver of Jury Trial. TO INDUCE BANK TO ACCEPT THIS AGREEMENT AND THE OTHER AGREEMENTS, BORROWER, IRREVOCABLY, AGREES THAT, SUBJECT TO BANK'S SOLE AND ABSOLUTE ELECTION, ALL ACTIONS OR PROCEEDINGS IN ANY WAY, MANNER OR RESPECT, ARISING OUT OF OR FROM OR RELATED TO THIS AGREEMENT, THE OTHER AGREEMENTS OR THE COLLATERAL SHALL BE LITIGATED IN COURTS HAVING SITUS WITHIN THE CITY OF CHICAGO, STATE OF ILLINOIS. BORROWER HEREBY CONSENTS AND SUBMITS TO THE JURISDICTION OF ANY LOCAL, STATE OR FEDERAL COURT LOCATED WITHIN SAID CITY AND STATE. BORROWER HEREBY WAIVES ANY RIGHT IT MAY HAVE TO TRANSFER OR CHANGE THE VENUE OF

ANY LITIGATION BROUGHT IN ACCORDANCE WITH THIS PARAGRAPH. BORROWER HEREBY IRREVOCABLY WAIVES THE RIGHT TO TRIAL BY JURY WITH RESPECT TO ANY ACTION IN WHICH BORROWER AND BANK ARE PARTIES.

13.18 Costs of Counsel. If at any time or times hereafter Bank: (a) employs counsel for advice or other representation (i) with respect to the Collateral, this Agreement, the Other Agreements or the administration thereof, (ii) to represent Bank in any litigation, contest, dispute, suit or proceeding or to commence, defend or intervene or to take any other action in or with respect to any litigation, contest, dispute, suit or proceeding (whether instituted by Bank, Borrower or any other Person) in any way or respect relating to the Collateral, this Agreement, the Other Agreements or Borrower's affairs, or (iii) to enforce any rights of Bank against Borrower, any Guarantor or any other Person which may be obligated to Bank by virtue of this Agreement or the Other Agreements, including without limitation, any Obligor; (b) takes any action with respect to administration of the Collateral, this Agreement or the Other Agreements, or to protect, collect, sell, liquidate or otherwise dispose of the Collateral; and/or (c) attempts to or enforces any of Bank's rights or remedies under this Agreement or the Other Agreements, including without limitation Bank's rights or remedies with respect to the Collateral, the reasonable costs, fees and expenses incurred by Bank in any manner or way with respect to the foregoing, shall be part of Borrower's Liabilities, payable by Borrower to Bank on demand. Without limiting the generality of the foregoing, such expenses, costs, charges and fees include: (i) attorneys' fees, costs and expenses; (ii) accountants' fees, costs and expenses; (iii) court costs and expenses; (iv) court reporter fees, costs and expenses; (v) long distance telephone charges; (vi) telegram, telecopy facsimile, messenger and overnight courier charges; and (vii) expenses for travel, lodging and food.

13.19 Release of Claims. Borrower releases Bank from any and all causes of action or claims which Borrower may now or hereafter have for any asserted loss or damage to Borrower claimed to be caused by or arising from: (a) any failure of Bank to protect, enforce or collect in whole or in part any of the Collateral; (b) Bank's notification to any Obligor of Bank's security interests in the Accounts; (c) Bank's directing any Obligor to pay any sums owing to Borrower directly to Bank; and (d) any other act or omission to act on the part of Bank, its officers, agents or employees, except for willful misconduct.

13.20 Reinstatement of Amounts. To the extent that Bank receives any payment on account of Borrower's Liabilities, or any proceeds of Collateral are applied on account of Borrower's Liabilities, and any such payment(s) and/or proceeds or any part thereof are subsequently invalidated, declared to be fraudulent or preferential, set aside, subordinated and/or required to be repaid to a trustee, receiver or any other Person under any bankruptcy act, state or federal law, common law or equitable cause, then, to the extent of such payment(s) or proceeds received, Borrower's Liabilities or part thereof intended to be satisfied shall be revived and continue in full force and effect, as if such payment(s) and/or proceeds had not been received by Bank and applied on account of Borrower's Liabilities.

13.21 Final Agreement. Except as otherwise provided herein, this Agreement and the Other Agreements supersede in their entirety any other agreement or understanding

between Bank and Borrower with respect to loans and advances made by Bank and all commitments of Bank in connection therewith.

13.22 Notices. Each notice, demand or other communication in connection with this Agreement shall be in writing and shall be deemed to be given to and served upon the addressee thereof (i) upon actual delivery to such addressee at its address set forth above, (ii) on the next Business Day after delivery thereof to an overnight courier service, in accordance with such service's rules, or (iii) on the third Business Day after the deposit thereof in the United States mails, certified mail, first-class postage prepaid, addressed to such addressee at its address set forth above, with copies to, in the case of communications to Borrower, Richard F. Loritz, Orland State Bank Building, 9522 West 143rd Street, Orland Park, Illinois 60462. By notice complying with this Paragraph 13.22, any party may from time to time designate a different address as its address for the purpose of the receipt of notices hereunder.

13.23 Acknowledgement of Terms. Borrower acknowledges that it has read this Agreement and the Other Agreements executed by it, that it is aware of all of the terms hereof and thereof, that they merely constitute an offer of Borrower to Bank and that they are not binding upon Bank until and unless accepted by Bank in writing at its principal place of business.


13.24 Information. The Borrower and the Bank hereby agree and acknowledge that any and all information relating to the Borrower which is (i) furnished by the Borrower to the Bank (or to any affiliate of the Bank), and (ii) non-public, confidential or proprietary in nature, shall be kept confidential by the Bank or such affiliate in accordance with applicable law, provided, however, that such information and other credit information relating to the Borrower may be distributed by the Bank or such affiliate to the Bank's or such affiliate's directors, officers, employees, affiliates, attorneys, auditors and regulators, and to any other party upon the order of a court or other governmental agency having jurisdiction over the Bank or such affiliate. The Borrower and the Bank hereby agree that this provision shall survive the termination of this Agreement and payment of the Borrower's Liabilities."

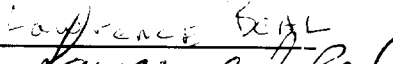
No reference to this Amended and Restated Loan and Security Agreement need be made in any note, mortgage, instrument, the Other Agreements or other documents making reference to the Loan and Security Agreement, any reference to the Loan and Security Agreement in any of such shall be deemed to be a reference to the Original Loan Agreement as amended and restated hereby.

IN WITNESS WHEREOF, this Agreement has been duly executed as of the day and year specified at the beginning hereof.

ATTEST:

NATIONAL RAILWAY EQUIPMENT CO.,
an Illinois corporation


Assistant Secretary

By: 
Name: Lawrence F. Beal
Title: President

Accepted this 14th day of July, 1995, at Bank's principal place of business in the City of Chicago, State of Illinois.

~~LASALLE NATIONAL BANK~~

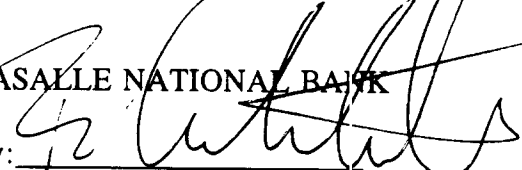
By: 
Name: Brian K. Greenblatt
Title: Vice President

EXHIBIT A-1

REVOLVING CREDIT NOTE

\$12,000,000

July 14, 1995

On the Termination Date, for value received, the undersigned, National Railway Equipment Co., an Illinois corporation (the "Borrower"), hereby promises to pay to the order of LASALLE NATIONAL BANK (the "Bank"), at its principal office in Chicago, Illinois, the principal sum of (i) Twelve Million and no/100 Dollars (\$12,000,000), or (ii) such lesser amount as may at the time of the maturity hereof, whether by acceleration or otherwise, be the aggregate unpaid principal amount of all Revolving Loans owing from the Borrower to the Bank under the Revolving Credit provided for in the Loan Agreement hereinafter mentioned.

This Note evidences Revolving Loans as such term is defined in that certain Amended and Restated Loan and Security Agreement dated as of July 14, 1995 between the Borrower and the Bank (said Amended and Restated Loan and Security Agreement, as the same may be amended, modified or restated from time to time, being referred to herein as the "Loan Agreement") made and to be made to the Borrower by the Bank under the Revolving Credit provided for under the Loan Agreement, and the Borrower hereby promises to pay interest at the office described above on each loan evidenced hereby at the rates and at the times and in the manner specified therefor in the Loan Agreement.

Each loan made under the Revolving Credit provided for in the Loan Agreement by the Bank to the Borrower against this Note, any repayment of principal hereon, the status of each such loan as a Prime Rate Loan or an Adjusted LIBOR Rate Loan, and in the case of an Adjusted LIBOR Rate Loan, the Interest Period applicable thereto, shall be endorsed by the holder hereof on a schedule to this Note or recorded on the books and records of the holder hereof (provided that such entries shall be endorsed on a schedule to this Note prior to any negotiation hereof). The Borrower agrees that in any action or proceeding instituted to collect or enforce collection of this Note, the entries so endorsed on a schedule to this Note or recorded on the books and records of the holder hereof shall be prima facie evidence of the unpaid principal balance of this Note, the status of each such loan as a Prime Rate Loan or an Adjusted LIBOR Rate Loan, and in the case of an Adjusted LIBOR Rate Loan, the Interest Period applicable thereto.

This Note is issued by the Borrower under the terms and provisions of the Loan Agreement and is secured by, among other things, the Collateral and the Other Agreements and this Note and the holder hereof are entitled to all of the benefits and security provided for thereby or referred to therein, to which reference is hereby made for a statement thereof. This Note may be declared to be, or be and become, due prior to its expressed maturity, voluntary prepayments may be made hereon, and certain prepayments are required to be made hereon, all in the events, on the terms and with the effects provided in the Loan Agreement. All capitalized terms used herein without definition shall have the same meanings herein as such terms are defined in the Loan Agreement.

This Note is issued in substitution and replacement for, and in part evidences indebtedness previously evidenced by that certain Revolving Extension Note of the Borrower dated July 1, 1994 payable to the order of the Bank in the face principal amount of \$6,500,000.

This Note shall be construed in accordance with, and governed by, the internal laws of the State of Illinois without regard to principles of conflicts of laws.

The Borrower hereby promises to pay all costs and expenses (including attorneys' fees) suffered or incurred by the holder hereof in collecting this Note or enforcing any rights in any collateral therefor. The Borrower hereby waives presentment for payment and demand.

NATIONAL RAILWAY EQUIPMENT CO.

By: _____

Name: _____

Title: _____

EXHIBIT A-2

TERM LOAN NOTE

\$ _____ Chicago, Illinois
_____, 19 _____

For Value Received, the undersigned, National Railway Equipment Co., an Illinois corporation (the "Borrower"), hereby promises to pay to the order of LASALLE NATIONAL BANK (the "Bank"), at its principal office in Chicago, Illinois, the principal sum of _____ Dollars (\$ _____), in _____ consecutive monthly principal installments, commencing on _____ and continuing on the 1st day of each month occurring thereafter to and including _____ with such installments each to be in the amount of \$ _____, with a final payment of principal plus interest thereon not sooner paid to be due and payable in full on _____.

This Note evidences a Term Loan as such term is defined in that certain Amended and Restated Loan and Security Agreement dated as of July 14, 1995 by and between the Borrower and the Bank (said Amended and Restated Loan and Security Agreement, as the same may be amended, modified or restated from time to time, being referred to herein as the "Loan Agreement") made to the Borrower by the Bank under the Revolving Credit provided for under the Loan Agreement, and the Borrower hereby promises to pay interest at the office specified above on the loan evidenced hereby at the rates and at the times and in the manner specified therefor in the Loan Agreement.

The Term Loan made under the Revolving Credit provided for in the Loan Agreement by the Bank to the Borrower against this Note, any repayment of principal hereon, and the interest rate applicable thereto shall be endorsed by the holder hereof on a schedule to this Note or recorded on the books and records of the holder hereof (provided that such entries shall be endorsed on a schedule to this Note prior to any negotiation hereof). The Borrower agrees that in any action or proceeding instituted to collect or enforce collection of this Note, the entries so endorsed on a schedule to this Note or recorded on the books and records of the holder hereof shall be prima facie evidence of the unpaid balance of this Note and the interest rate applicable thereto.

This Note is issued by the Borrower under the terms and provisions of the Loan Agreement and is secured by, among other things, the Collateral and the Other Agreements, and this Note and the holder hereof are entitled to all of the benefits and security provided for thereby or referred to therein, to which reference is hereby made for a statement thereof. This Note may be declared to be, or be and become, due prior to its expressed maturity, voluntary prepayments may be made hereon, and certain prepayment are required to be made hereon, all in the events, on the terms and with the effects provided in the Loan Agreement. All capitalized terms used herein without definition shall have the same meanings herein as such terms are defined in the Loan Agreement.

This Note shall be construed in accordance with, and governed by, the internal laws of the State of Illinois without regard to principles of conflict of law.

The Borrower hereby promises to pay all costs and expenses (including attorneys' fees) suffered or incurred by the holder hereof in collecting this Note or enforcing any rights in any collateral therefor. The Borrower hereby waives presentment for payment and demand.

NATIONAL RAILWAY EQUIPMENT CO.

By: _____

Name: _____

Title: _____

EXHIBIT B

Collateral Assignment of Lease and Security Agreement

This Collateral Assignment of Lease and Security Agreement (this "Agreement"), dated as of the ____ day of _____, 199 ____, by and between LaSalle National Bank ("Bank"), a national banking association with its principal place of business at 120 South LaSalle Street, Chicago, Illinois 60603, and National Railway Equipment Co. ("Borrower"), an Illinois corporation with its principal place of business at 1440 S. Robey, Dixmoor, Illinois 60426.

RECITALS

A. Borrower has requested that Bank advance monies to Borrower under that certain Revolving Credit which Bank has made available to Borrower pursuant to that certain Amended and Restated Loan and Security Agreement between Bank and Borrower dated as of July 14, 1995, as the same may be amended or modified from time to time (the "Loan Agreement"); and

B. As an inducement to Bank to extend credit to Borrower under the Revolving Credit facility, Borrower has agreed to pledge leases of locomotives to Bank as security for Borrower's Liabilities; and

Now Therefore, in consideration of any loan, advance, extension of credit and/or other financial accommodation made by Bank to or for the benefit of Borrower, and of the promises set forth herein, the parties hereto agree as follows:

1. Definitions and Terms. The terms, representations, warranties and covenants of the Loan Agreement are incorporated in the Agreement by this reference as set forth in full in this Agreement. Any term not otherwise defined in this Agreement shall have the meaning ascribed to it in the Loan Agreement. For purposes of this Agreement, the term "Leased Locomotive Equipment" shall mean each item of equipment which is the subject of each Lease identified on the Schedule(s) attached to this Agreement.

2. Grant of Security Interest. To secure the prompt payment to Bank of Borrower's Liabilities and the prompt, full and faithful performance by Borrower of Borrower's Obligations, Borrower hereby grants to bank a security interest in and to, and assigns and pledges to Bank all of Borrower's right, title and interest in and to the following Collateral:

- (a) each item of Leased Locomotive Equipment;
- (b) each Lease of Leased Locomotive Equipment under which Borrower is lessor identified on the Schedule(s) attached to this Agreement (the "Assigned Leases");

(c) all rental payments and other amounts payable under the Assigned Leases;

(d) all Records at any time evidencing or relating to the Assigned Leases or Leased Locomotive Equipment;

(e) all accessions to any of the Leased Locomotive Equipment and all substitutions, renewals, improvement and replacements of and additions thereto;

(f) all insurance policies and any interest of Borrower under any insurance policy insuring, or proceeds of or relating to any of the foregoing; and

(g) all products and proceeds of the foregoing (whether such proceeds are in the form of cash, cash equivalents, proceeds of insurance policies or otherwise).

3. Warranties on Leased Locomotive Equipment. Borrower warrants and represents to Bank that as of the date hereof with respect to the Leased Locomotive Equipment and each Assigned Lease:

(a) Borrower has good, indefeasible, and merchantable title, free and clear of all liens, claims and encumbrances, to and ownership of the Leased Locomotive Equipment and Borrower will not grant a security interest in the Collateral or sell the Collateral to any other party;

(b) Borrower has full power and authority to enter into the Assigned Lease;

(c) The Assigned Lease is genuine, and is in all respects what it purports to be and Borrower will not modify the terms of, terminate or supersede any Assigned Lease, and willfully and faithfully perform each and every obligation Borrower has under the Assigned Lease;

(d) the Assigned Lease represents and undisputed, bona fide transaction completed in accordance with the terms and provisions contained in the lease agreement and other documents delivered to Bank with respect thereto;

(e) to the best of Borrower's knowledge the Lessee has the capacity to contract and is solvent and Borrower has no knowledge of any fact or circumstance which would impair the validity or collectibility of the Assigned Lease;

(f) to the best of Borrower's knowledge, but without duty of inquiry, there are no proceedings or actions which are threatened or pending against any Lessee which might result in any material adverse change in its financial condition;

(g) Borrower shall keep and maintain, at its sole cost and expense, or cause Lessee to keep and maintain the Leased Locomotive Equipment insured under all risk property insurance for the greater of the full insurable value or the full replacement value thereof. All such policies of insurance shall be in the form and with the terms provided in the Loan Agreement;

(h) Borrower shall or shall cause Lessee to keep and maintain the Leased Locomotive Equipment in good operating condition and repair and shall make all necessary replacement thereof and renewals thereto so that the value and operating efficiency thereof shall at all times be maintained and preserved;

(i) The Leased Locomotive Equipment has been delivered to and accepted by each Lessee. No Assigned Lease is in default and each Lessee has promptly made all payments due under its respective Assigned Lease;

(j) Borrower, upon request by Bank and at Borrower's cost and expense, will cause all financing and continuation statements and similar notices required by applicable law at all times to be kept, recorded and filed in such manner and in such places as may be required by law or reasonably requested by the Bank in order to preserve and protect the rights of the Bank in and to the Collateral; and

(k) Without Bank's consent, Borrower will not (i) cancel, terminate or surrender any Assigned Lease or schedule or consent to or accept any cancellation, termination or surrender thereof otherwise than as may be provided in the Assigned Lease, (ii) give any consent, waiver or approval to any default or breach under the Assigned Lease, (iii) consent to or permit or accept any prepayment under any Assigned Lease, except as may be expressly provided thereunder, (iv) declare a default or exercise the remedies of the Lessor under any Assigned Lease, including, but not limited to, repossession or consent to the return of any of the Leased Locomotive Equipment, unless, upon such declaration or exercise, Borrower shall pay to Bank the outstanding principal balance, and all accrued interest thereon, advanced by Bank to Borrower with respect to such Assigned Lease, or (v) take any other action (or fail to take any action) in connection with any Leased Locomotive Equipment or Assigned Lease which would impair the interest or rights of Borrower or Bank thereunder or in the Leased Locomotive Equipment.

4. Assigned Leases. On the date hereof and hereafter until this Agreement is terminated, each Assigned Lease shall satisfy the positive covenants of this Agreement and shall not violate the negative covenants of this Agreement. The following lease agreements are not an Assigned Leases:

(a) Assigned Leases under which the Lessee owes Borrower more than three (3) months rent or is in default under the terms of the Assigned Lease and any applicable cure period has expired;

- (b) a portion of an Assigned Lease to the extent the Lessee has a deduction, credit, counterclaim or a right of set-off against the Lease;
- (c) Assigned Leases with respect to which the Lessee is the subject of bankruptcy or a similar insolvency proceeding or has made an assignment for the benefit of creditors or whose assets have been conveyed to a receiver or trustee;
- (d) Assigned Leases as to which Bank, at any time or times hereafter, determines, in good faith, that the prospect of payment or performance by the Lessee is or will be impaired;
- (e) Assigned Leases with respect to which Bank's assignment and security interest is not entitled to first priority;
- (f) Assigned Leases which have been canceled, terminated or under which the Leased Locomotive Equipment has been surrendered or under which the Lessee has exercised any right to purchase the Leased Locomotive Equipment;
- (g) Assigned Leases if the Leased Locomotive Equipment under such Assigned Lease is lost, stolen, destroyed or otherwise damaged and such loss or damage is not covered by insurance; or
- (h) Assigned Leases if the Leased Locomotive Equipment under such Assigned Lease is or at any time will be located outside of the United States.

Borrower, immediately upon learning thereof, shall notify Bank that an lease agreement is no longer an Assigned Lease. If the Term Loan would then exceed the maximum sum Bank has agreed to loan to Borrower under the Loan Agreement, then, immediately upon demand from Bank, Borrower shall pay to Bank the outstanding principal amount, and any accrued interest, theretofore advanced by Bank to Borrower with respect to such Assigned Lease and Bank shall apply such payment to and on account of Borrower's Liabilities.

5. Possession and Inspection of Collateral. Bank shall retain possession of the original of each Assigned Lease until Borrower's Liabilities are paid in full or otherwise satisfied. All copies of each Assigned Lease retained by Borrower shall be marked "Duplicate". Borrower will permit and will cause the Lessee to permit the Bank to inspect the Leased Locomotive Equipment and to examine Borrower's and Lessee's records pertaining to the Collateral at any reasonable time.

6. Indemnification. Bank is not, and shall not under any circumstances be, obligated to assume, perform, or fulfill any obligation of Borrower as lessor under any Assigned Lease. Borrower will hold harmless and defend Bank from and against any claim by any person arising out of or connected with the use of any Leased Locomotive

Equipment, any Assigned Lease and any performance or failure to perform of Borrower of its obligations as lessor.

7. Event of Default. An Event of Default under the Loan Agreement shall be an Event of Default under this Agreement. Bank shall have all of the rights and remedies set forth in the Loan Agreement upon an Event of Default.

8. Duration. This Agreement shall remain in effect from the date first above mentioned until Borrower's Liabilities are paid in full or otherwise satisfied, all Letters of Credit have been returned to the Bank for cancellation and any commitment of the Bank to extend credit to the Borrower has terminated.

9. Assigns. This Agreement and all rights and liabilities hereunder and in and to any all Collateral shall inure to the benefit of the Bank and its successors and assigns and shall be binding on the Borrower and the Borrower's successors and assigns.

IN WITNESS WHEREOF, the parties hereto have executed this Agreement on the date and year first above written.

NATIONAL RAILWAY EQUIPMENT CO.

By: _____

Title: _____

EXHIBIT C

BORROWING BASE CERTIFICATE

To: LaSalle National Bank

Pursuant to the terms of the Amended and Restated Loan and Security Agreement dated as of July 14, 1995 between us (the "Loan Agreement"), we submit this Borrowing Base Certificate to you and certify that the information set forth below and on any attachments to this Certificate is true, correct and complete as of the date of this Certificate.

I. Borrowing Base

A. Accounts in Borrowing Base

1. Gross Accounts

A1

2. Ineligible Accounts

A2

3. Eligible Accounts (line A1 minus line A2)

A3

4. Accounts in Borrowing Base (line A3 x .80)

A4

B. Eligible Inventory less than 2 years old in Borrowing Base:

1. Eligible Inventory less than 2 years old

B1

2. Eligible Inventory less than 2 years old in Borrowing Base (line B1 x .50)

B2

Line B2 cannot exceed \$3,000,000

C. Eligible Inventory more than 2 years old in Borrowing Base

1. Eligible Inventory more than 2 years old

C1

2. Eligible Inventory more than 2 years old included in Borrowing Base (line C1 x .25)

C2

Line C2 cannot exceed \$1,500,000

D. Eligible Assigned Leases with original terms of 5 years or less (Total of Column G, Part I on the attached Schedule of Eligible Assigned Leases) _____ D1

E. Eligible Assigned Leases with original terms of more than 5 years (Total of Column G, Part II on the attached Schedule of Eligible Assigned Leases) _____ E1

Lines D1 and E1 cannot, together, exceed \$3,000,000

F. Work-in-process Inventory (less labor and overhead costs) x .50 _____ F1

Total Borrowing Base (sum of lines A4, B2, C2, D1, E1 and F1) _____ I

II. Advances

A. Revolving Credit Loans _____
B. Term Loans _____
C. Letters of Credit _____

Total Advances (sum of lines IIA, IIB and IIC) _____ II

III. Unused Availability (Line I minus line II) _____ III

Dated as of this _____ day of _____, 19 ____.

(Name)

(Title)

Attachment to Borrowing Base Certificate

Schedule of Eligible Assigned Leases

I. Eligible Assigned Leases with original terms of 5 years or less

A <u>Lessee</u>	B Date of Eligible <u>Assigned Lease</u>	C Present Value of Eligible <u>Assigned Lease</u>	D 75% of <u>Column C</u>	E original cost of locomotive subject to <u>Eligible Assigned Lease</u>	F 85% of <u>Column E</u>	G the lesser of Column D and <u>Column F</u>
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Total of
Column G

\$ _____

II. Eligible Assigned Leases with original terms of more than 5 years

A <u>Lessee</u>	B Date of Eligible <u>Assigned Lease</u>	C Present Value of <u>Assigned Lease</u>	D 75% of <u>Column C</u>	E original cost of subject to Eligible <u>Assigned Lease</u>	F 85% of <u>Column E</u>	G the lesser of Column D and <u>Column F</u>
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Total of
Column G

\$ _____

EXHIBIT D

COMPLIANCE CERTIFICATE

This Compliance Certificate is furnished to you, LASALLE NATIONAL BANK pursuant to that certain Amended and Restated Loan and Security Agreement dated as of July 14, 1995, by and between National Railway Equipment Co. (the "Borrower") and you (the "Loan Agreement"). Unless otherwise defined herein, the terms used in this Compliance Certificate have the meanings ascribed thereto in the Loan Agreement.

The Undersigned hereby certifies that:

1. I am the duly elected
_____ of the Borrower;
2. I have reviewed the terms of the Loan Agreement and I have made, or have caused to be made under my supervision, a detailed review of the transactions and conditions of the Borrower and its Subsidiaries during the accounting period covered by the attached financial statements;
3. The examinations described in Paragraph 2 did not disclose, and I have no knowledge of, the existence of any condition or the occurrence of any event which constitutes a Default or Event of Default during or at the end of the accounting period covered by the attached financial statements or as of the date of this Certificate, except as set forth below;
4. The financial statements required by Paragraph 10.1 of the Loan Agreement and being furnished to you concurrently with this Certificate are true, correct and complete as of the date and for the periods covered thereby; and
5. The Attachment hereto sets forth financial data and computations evidencing the Borrower's compliance with certain covenants of the Loan Agreement, all of which data and computations are, to the best of my knowledge, true, complete and correct and have been made in accordance with the relevant Paragraphs of the Loan Agreement.

Described below are the exceptions, if any, to paragraph 3 by listing, in detail, the nature of the condition or event, the period during which it has existed and the action which the Borrower has taken, is taking, or proposes to take with respect to each such condition or event:

The foregoing certifications, together with the computations set forth in the Attachment hereto and the financial statements delivered with this Certificate in support hereof, are made and delivered this _____ day of _____ 19 ____.

(NAME)

(TITLE)

ATTACHMENT TO COMPLIANCE CERTIFICATE
NATIONAL RAILWAY EQUIPMENT CO.
COMPLIANCE CALCULATIONS FOR
AMENDED AND RESTATED LOAN AND SECURITY AGREEMENT
DATED AS OF JULY 14, 1995
CALCULATIONS AS OF _____, 19____.

Paragraph 9.2(S) Tangible Net Worth.

1. Tangible Net Worth (as defined in Paragraph 1) \$ _____
2. Line 1 must be at least \$14,000,000

Compliance _____ YES _____ NO

Paragraph 9.2(T) Leverage Ratio

1. Total liabilities of Borrower (as determined in accordance with generally accepted accounting principles) minus subordinated Indebtedness (as defined in Paragraph 1) \$ _____
2. Tangible Net Worth (as defined in Paragraph 1) \$ _____
3. Ratio of Line 1 to Line 2 must not be more than 2.0 to 1.0

Compliance _____ YES _____ NO

Paragraph 9.2(V) Net Income

1. Net after tax profits plus the increase in subordinated debt of the Borrower for such period \$ _____
2. Must be at least \$500,000 in any fiscal year and at least \$1.00 in any fiscal quarter

Compliance _____ YES _____ NO

EXHIBIT E

TERM LOAN DRAWING CERTIFICATE

This Term Loan Drawing Certificate is being delivered by National Railway Equipment Co. (the "Borrower") to LaSalle National Bank (the "Bank") in connection with the Borrower's request that the Bank make a \$_____ Term Loan to the Borrower under the Amended and Restated Loan and Security Agreement dated as of July 14, 1995 between the Borrower and the Bank (the "Loan Agreement"), with a requested maturity for the Term Loan of _____ months (**not to exceed 60 months**) from the date the Term Loan is made. All capitalized terms used herein without definition shall have the meanings ascribed thereto in the Loan Agreement.

The undersigned certifies that:

1. he/she is an authorized representative of the Borrower;
2. no Default or Event of Default has occurred or is continuing;
3. attached hereto is a true and correct copy of an invoice for the locomotive(s) purchased by and delivered to the Borrower, which purchase is final and complete, and such invoice is an amount equal to or greater than the amount of the advance requested above; and
4. attached hereto is a true and correct copy of the Lease in effect between the Borrower and its customer relating to the locomotive(s) referred to in number 3 above;
5. the proceeds of the Term Loan will be used to finance the purchase of the locomotive(s) referred to in number 3 above; and
6. the amount of the drawing requested hereunder plus the principal amount of drawings previously made by us under the Term Loan Commitment aggregate \$_____.

This Drawing Certificate is delivered to the Bank on this _____ day of _____, 199____.

Name

Title

Schedule 3.3

Letters of Credit

<u>Letters of Credit Number</u>	<u>Beneficiary</u>	<u>Date of Issuance</u>	<u>Expiration Date</u>	<u>Amount</u>
9200001027	Bank of Nova Scotia	3/16/95	4/20/98	\$16,450
9200001068	Bank of Nova Scotia	4/13/95	9/4/95	\$16,000
9200002103	Bank of Nova Scotia	7/10/95	11/30/95	\$50,000

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STATE OF ILLINOIS)
)
COUNTY OF C O O K)

The undersigned states that she has read a true copy of the original document and that the document attached hereto is a complete and identical document in all respects to the original.

The undersigned has compared the copy with the original and has found the copy to be complete and identical in all respects to the original document.

This Affidavit is made pursuant to the procedures in Section 117.3(2)(b) relative to the recordation of documents with the Interstate Commerce Commission.

Kathleen J. Jurek
Affiant

SUBSCRIBED AND SWORN to
before me this 27th day
of September, 1995.

Tammie A. Papez
Notary Public

